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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOUG LITTLE - CHAIRMAN
BOB STUMP
BOB BURNS
TOM FORESE
ANDY TOBIN

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IN THE MATTER OF THE APPLICATION OF
ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE OF
ITS UTILITY PLANT AND PROPERTY, AND
FOR ADJUSTMENTS TO ITS RATES AND
CHARGES FOR UTILITY SERVICE
FURNISHED BY ITS WESTERN GROUP
AND FOR CERTAIN RELATED
APPROVALS.

DOCKET NO. W-01445A-15-0277

**NOTICE OF FILING
STAFF'S DIRECT TESTIMONIES**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files the Direct Testimony of Briton A. Baxter for rate design and the Direct Testimony of Frank M. Smaila for cost of service, in the above-referenced docket.

RESPECTFULLY SUBMITTED this 18th day of March, 2016.

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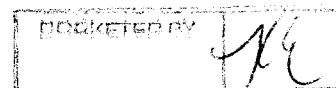
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Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

DOCKETED

MAR 18 2016



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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
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ANDY TOBIN
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IN THE MATTER OF THE APPLICATION OF)
ARIZONA WATER COMPANY, AN ARIZONA)
CORPORATION, FOR A DETERMINATION OF)
THE FAIR VALUE OF ITS UTILITY PLANT)
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TO ITS RATES AND CHARGES FOR UTILITY)
SERVICE FURNISHED BY ITS WESTERN)
GROUP AND FOR CERTAIN RELATED)
APPROVALS)

DOCKET NO. W-01445A-15-0277

(RATE DESIGN)

DIRECT

TESTIMONY

OF

BRITON A. BAXTER

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

MARCH 18, 2016

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**EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
WESTERN GROUP
DOCKET NO. W-01445A-15-0277**

Arizona Water Company ("Company" or "AWC") is a certificated Arizona public service corporation that provides water service throughout the State of Arizona. The Company's water systems are grouped into the Northern, Eastern, and Western Groups. The Northern group is comprised of the Navajo and Verde Valley Water Systems; the Eastern group is comprised of the Superstition, Cochise, and Falcon Valley Water Systems; and the Western group is comprised of the Pinal Valley, White Tank and Ajo Water Systems. The Company's last rate increase was approved in Decision No. 74081, dated September 23, 2013, for the Northern group.

On August 21, 2015, the Company filed an application¹ for a rate increase for its Western group: Pinal Valley Water Service Area (comprised of the Casa Grande, Coolidge, and Stanfield sub-systems); White Tank Water Service Area; and Ajo Water Service Area. The rates for the Western group were established in Decision No. 73144, dated May 1, 2012.

This testimony of Briton A. Baxter presents Staff's recommendations in the area of rate design.

Rate application:

Pinal Valley Water System

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,700 gallons from \$25.24 to \$33.15, for an increase of \$7.91 or 31.33 percent.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 5,700 gallons from \$25.24 to \$30.04, for an increase of \$4.80 or 19.01 percent.

White Tank Water System

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 7,681 gallons from \$40.04 to \$52.24, for an increase of \$12.19 or 30.45 percent.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 7,681 gallons from \$40.04 to \$46.71, for an increase of \$6.67 or 16.65 percent.

¹ On July 31, 2015 AWC filed a "Notice of Intent to File General Rate Case and Request for Accounting Order". On August 21, 2015 AWC filed its application and 12 amendments to its application.

Ajo Water System

The Company's proposed rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 2,680 gallons from \$34.01 to \$41.10, for an increase of \$7.09 or 20.84 percent.

Staff's recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a median usage of 2,680 gallons from \$34.01 to \$39.11, for an increase of \$5.10 or 15.00 percent.

Staff recommends approval of its recommended rates and charges for the Western Group service areas of Arizona Water Company as shown on the attached schedules.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Briton A. Baxter. I am a Public Utilities Analyst V employed by the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Briton Baxter who previously filed testimony pertaining to rate base, operating revenues and expenses and revenue requirement on behalf of Staff in this docket for Arizona Water Company's ("AWC" or "Company") permanent rate application?

A. Yes, I am.

Q. What is the basis of your recommendations?

A. Based on the adjustments and revenue requirement recommended by Staff, I am presenting Staff's recommended rate design.

BACKGROUND

Q. Please provide a brief description of Arizona Water Company and the service it provides.

A. AWC is a certified Arizona public service company that provides water service throughout the state of Arizona. The Company's water service areas are grouped into the Northern, Eastern and Western Groups. The Northern Group is comprised of the Navajo and Verde Valley Water Service Areas; the Eastern Group is comprised of the Superstition, Cochise, and Falcon Valley Water Service Areas; and the Western Group is comprised of the Ajo, Pinal Valley, and White Tank Water Service Areas. The Company's last rate increase was approved in Decision No. 74081, dated September 23, 2013, for the Northern group.

1 On August 21, 2015, the Company filed an application² for a rate increase for its Western
2 group: Pinal Valley Water Service Area (comprised of the Casa Grande, Coolidge, and
3 Stanfield sub-service areas); White Tank Water Service Area; and Ajo Water Service Area.
4 The rates for the Western group were established in Decision No. 73144, dated May 1, 2012.
5

6 **RATE DESIGN**

7 **Q. Has Staff prepared schedules summarizing the present, Company proposed, and Staff**
8 **recommended rates and service charges for each service area?**

9 A. Yes. Schedule BAB-1 for each service area provides a summary of the Company's present,
10 Company's proposed, and Staff's recommended rates.
11

12 **Q. Please briefly describe the Company's proposed changes to rates.**

13 A. Across all three service areas, the Company proposes different monthly usage charges by
14 customer class. Further, the Company proposes adding a tier to the existing inverted
15 commodity rate structure for all customer classes. This will result in three-tiers for all meter
16 sizes of the commercial, construction, and the residential 1-inch meter and larger customer
17 classes. The typical 5/8 x 3/4-inch residential customer meter will now have a fourth-tier,
18 with the first-tier being what the Company considers a lifeline tier. The Company also
19 proposes a flat commodity rate for all industrial meter sizes, with a lower rate for 6-inch and
20 larger meters. To account for the new tiers, the Company has proposed modifying and/or
21 removing the existing break-over points. Further, the Company proposes adding a 3/4-inch
22 meter size to all customer classes, and is proposing to add meter sizes to the construction
23 customer class to be consistent with the existing meter sizes in the other customer classes.
24

² On July 31, 2015 AWC filed a "Notice of Intent to File General Rate Case and Request for Accounting Order". On August 21, 2015 AWC filed its application and 12 amendments to its application.

1 **Q. Please briefly describe the Staff recommended rates.**

2 A. Staff's recommended rates are designed to produce revenues that cover the overall cost of
3 providing service as established in prior testimony filed in this Docket. These rates employed
4 inverted block structures, where the price per unit for the commodity component of the bill
5 increases as usage increases. This is designed specifically to send a pricing signal that
6 encourages the efficient use of scarce water resources. Staff also considered the Company's
7 cost-of-service in setting recommended rates. Staff agrees with, and has incorporated the
8 Company's proposed number of tiers, break-over points and additions of 3/4-inch and
9 various construction meter sizes in its recommended rate design.

10
11 **Q. Besides setting rates to earn the revenue requirement as determined by previous**
12 **testimony did Staff consider any other factors in setting rates?**

13 A. Yes. Staff's recommended rates include Staff's "normalization" of the billing determinants.
14 This normalization is intended to adjust rates to reflect the reduction in sales due to the
15 declining average usage-per-customer in the residential classes' across all three service areas.
16 To accomplish this, Staff adjusted the target revenue for the residential class in each service
17 area.

18
19 **Pinal Valley Service Area ("Pinal Valley")**

20 **Q. Please summarize the monthly minimum portion of the Company's present rate**
21 **design for Pinal Valley.**

22 A. The present monthly minimum charges by meter size for all customer classes are as follows:
23 5/8 x 3/4-inch, \$16.00; 1-inch, \$40.00; 1 1/2-inch, \$80.00; 2-inch, \$128.00; 3-inch, \$256.00;
24 4-inch, \$400.00; 6-inch, \$800.00; 8-inch, \$1,280.00; and 10-inch \$1,840.00. The current
25 private fire service is \$25.00 for all connection sizes. No gallons are included in the monthly
26 minimum charge.

1 **Q. Please summarize the commodity portion of the Company's present rate design for**
2 **Pinal Valley.**

3 A. The commodity rate for the 5/8 x 3/4-inch residential customers is \$1.1879 per thousand
4 gallons for zero to 3,000 gallons, \$2.1026 per thousand gallons for 3,001 to 10,000 gallons,
5 and \$3.2590 per thousand gallons for any consumption over 10,000 gallons. The 1-inch and
6 larger residential, commercial, and construction classes' commodity break-over points vary by
7 meter size with a \$2.1026 per thousand gallons first-tier commodity rate and a \$3.2590 per
8 thousand gallons commodity rate for any consumption over the first-tier. The industrial
9 meters (up to 4-inches) have commodity break-over points that vary by meter size with a
10 \$1.5500 per thousand gallons first-tier commodity rate and a \$2.4800 per thousand gallons
11 commodity rate for any consumption over the first-tier. The present commodity rate for
12 sales for resale water and industrial meters 6-inches and larger is a flat \$1.5500 per thousand
13 gallons.

14
15 **Q. Please summarize the monthly minimum charges portion of the Company's proposed**
16 **rate design for Pinal Valley.**

17 A. The Company is proposing different monthly minimum charges by customer class and meter
18 size. The Company's proposed monthly minimum charges for residential customers are as
19 follows: 5/8 x 3/4-inch, \$22.00; 3/4-inch, \$33.00; 1-inch, \$55.00; 1 1/2-inch, \$110.00; 2-
20 inch, \$176.00; 3-inch, \$352.00; 4-inch, \$550.00; 6-inch, \$1,100.00; 8-inch, \$1,760.00; and 10-
21 inch \$2,530.00. The Company's proposed monthly minimum charges for commercial,
22 construction and sales for resale customers are as follows: 5/8 x 3/4-inch, \$25.00; 3/4-inch,
23 \$37.50; 1-inch, \$62.50; 1 1/2-inch, \$125.00; 2-inch, \$200.00; 3-inch, \$400.00; 4-inch, \$625.00;
24 6-inch, \$1,250.00; 8-inch, \$2,000.00; and 10-inch \$2,875.00. The Company's proposed
25 monthly minimum charges for industrial customers are as follows: 5/8 x 3/4-inch, \$35.00;
26 3/4-inch, \$52.50; 1-inch, \$87.50; 1 1/2-inch, \$175.00; 2-inch, \$280.00; 3-inch, \$560.00; 4-inch,

1 \$875.00; 6-inch, \$1,750.00; 8-inch, \$2,800.00; and 10-inch \$4,025.00. The Company's
2 proposed private fire service is \$35.00 for all connection sizes. No gallons are included in the
3 monthly minimum charge.

4
5 **Q. Please summarize the commodity portion of the Company's proposed rate design for**
6 **Pinal Valley.**

7 A. The Company proposes a four-tier inverted-block commodity rate for 5/8 x 3/4-inch
8 residential customers with a \$1.5246 per thousand gallons lifeline first-tier (zero to 2,000
9 gallons) commodity rate, a \$2.1891 per thousand gallons second-tier (2,001 to 7,000 gallons)
10 commodity rate, a \$2.8536 per thousand gallons third-tier (7,001 to 18,000 gallons)
11 commodity rate, and a \$4.1827 per thousand gallons fourth-tier for any consumption over
12 18,000 gallons. The Company also proposes a four-tier inverted-block commodity rate for
13 3/4-inch residential customers with the same commodity rates per thousand gallons for each
14 tier but with break-over points at 4,000, 10,000, and 18,000 gallons respectively. The 1-inch
15 and larger residential, commercial and construction classes' commodity break-over points
16 vary by meter size using a three-tier inverted-block commodity rate with a \$2.1891 per
17 thousand gallons first-tier commodity rate, a \$2.8536 per thousand gallons second-tier
18 commodity rate, and a \$4.1827 per thousand gallons for any consumption over the second-
19 tier. The Company proposes a flat commodity rate for 4-inch and smaller industrial meters
20 of \$2.5000 and for 6-inch and larger meters of \$1.7500 per thousand gallons. The Company
21 proposed a flat rate of \$2.1891 for all sales for resale meter sizes.

22
23 **Q. Please summarize the monthly minimum portion of Staff's recommended rate design**
24 **for Pinal Valley.**

25 A. Staff is recommending different monthly minimum charges by customer class and by meter
26 size. Staff's recommended monthly minimum charges for residential customers are as

1 follows: 5/8 x 3/4-inch, \$20.00; 3/4-inch, \$30.00; 1-inch, \$50.00; 1 1/2-inch, \$100.00; 2-
2 inch, \$160.00; 3-inch, \$320.00; 4-inch, \$500.00; 6-inch, \$1,000.00; 8-inch, \$1,600.00; and 10-
3 inch \$2,300.00. Staff's recommended monthly minimum charges for commercial,
4 construction and sales for resale customers are as follows: 5/8 x 3/4-inch, \$21.55; 3/4-inch,
5 \$32.33; 1-inch, \$53.88; 1 1/2-inch, \$107.75; 2-inch, \$172.40; 3-inch, \$344.80; 4-inch, \$538.75;
6 6-inch, \$1,077.50; 8-inch, \$1,724.00; and 10-inch \$2,478.25. Staff's recommended monthly
7 minimum charges for industrial customers are as follows: 5/8 x 3/4-inch, \$31.82; 3/4-inch,
8 \$47.73; 1-inch, \$79.55; 1 1/2-inch, \$159.09; 2-inch, \$254.55; 3-inch, \$509.09; 4-inch, \$795.45;
9 6-inch, \$1,590.91; 8-inch, \$2,545.45; and 10-inch \$3,659.09. Staff's recommended private fire
10 service is \$31.82 for all connection sizes. No gallons are included in the monthly minimum
11 charge.
12

13 **Q. Please summarize the commodity portion of Staff's recommended rate design for**
14 **Pinal Valley.**

15 A. Staff recommends a four-tier inverted-block commodity rate for 5/8 x 3/4-inch and 3/4-inch
16 residential customers using the Company's proposed break-over points but with a \$1.4350
17 per thousand gallons first-tier, a \$1.9390 per thousand gallons second-tier, a \$2.7223 per
18 thousand gallons third-tier, and a \$3.9613 per thousand gallons fourth-tier commodity rate.
19 The 1-inch and larger residential, commercial, and construction classes' commodity break-
20 over points vary by meter size with a \$1.9390 per thousand gallons first-tier, a \$2.7223 per
21 thousand gallons second-tier, and a \$3.9613 per thousand gallons commodity rate for any
22 consumption over the second-tier. Staff recommends a flat commodity rate for industrial
23 meters 4-inches and smaller of \$2.4500 and a flat commodity rate for industrial meters 6-
24 inches and larger of \$1.7150. Staff also recommends a flat rate for all meter sizes of the sales
25 for resale customer class of \$1.9175 per thousand gallons.

1 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter Pinal Valley residential**
2 **customer?**

3 A. The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential
4 bill with median usage of 5,700 gallons from \$25.24 to \$33.15 for an increase of \$7.91 or
5 31.33 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter
6 residential bill with median usage of 5,700 gallons from \$25.24 to \$30.04, for an increase of
7 \$4.80 or 19.01 percent.

8
9 **Q. What is the Company's rate structure under present, Company's proposed and Staff's**
10 **recommended rates for Pinal Valley?**

11 A. Under present rates, approximately 40.36 percent of revenue is coming from the monthly
12 minimum and 59.64 percent is from the commodity charges. Under the Company's
13 proposed rates, approximately 44.50 percent of revenue is coming from monthly minimum
14 and 55.50 percent of revenue is from commodity charges. Under Staff's recommended rates,
15 approximately 43.40 percent is coming from monthly minimum and 56.60 percent is from
16 commodity charges.

17
18 **White Tank Service Area ("White Tank")**

19 **Q. Please summarize the monthly minimum portion of the Company's present rate**
20 **design for White Tank.**

21 A. The present monthly minimum charges by meter size for all customer classes are as follows:
22 5/8 x 3/4-inch, \$23.00; 1-inch, \$57.50; 1 1/2-inch, \$115.00; 2-inch, \$184.00; 3-inch, \$368.00;
23 4-inch, \$575.00; 6-inch, \$1,150.00; 8-inch, \$1,840.00; and 10-inch \$2,645.00. The current
24 private fire service is \$25.00 for all connection sizes. No gallons are included in the monthly
25 minimum charge.

1 **Q. Please summarize the commodity portion of the Company's present rate design for**
2 **White Tank.**

3 A. The commodity rate for the 5/8 x 3/4-inch residential customers is \$1.8000 per thousand
4 gallons for zero to 5,000 gallons, \$3.0000 per thousand gallons for 5,001 to 15,000 gallons,
5 and \$5.1664 per thousand gallons for any consumption over 15,000 gallons. The 1-inch and
6 larger residential, commercial, industrial (up to 4-inch meter size) and construction classes'
7 commodity break-over points vary by meter size with a \$3.0000 per thousand gallons first-tier
8 commodity rate and a \$5.1664 per thousand gallons commodity rate for any consumption
9 over the first-tier. The present commodity rate for industrial meters 6-inch and larger and all
10 sales for resale water is a flat rate of \$3.0000 per thousand gallons.

11
12 **Q. Please summarize the monthly minimum portion of the Company's proposed rate**
13 **design for White Tank.**

14 A. The Company is proposing different monthly minimum charges by customer class and meter
15 size. The Company's proposed monthly minimum charges for residential customers are as
16 follows: 5/8 x 3/4-inch, \$30.00; 3/4-inch, \$45.00; 1-inch, \$75.00; 1 1/2-inch, \$150.00; 2-
17 inch, \$240.00; 3-inch, \$480.00; 4-inch, \$750.00; 6-inch, \$1,500.00; 8-inch, \$2,400.00; and 10-
18 inch \$3,450.00. The Company's proposed monthly minimum charges for commercial and
19 industrial customers are as follows: 5/8 x 3/4-inch, \$35.00; 3/4-inch, \$52.50; 1-inch, \$87.50;
20 1 1/2-inch, \$175.00; 2-inch, \$280.00; 3-inch, \$560.00; 4-inch, \$875.00; 6-inch, \$1,750.00; 8-
21 inch, \$2,800.00; and 10-inch \$4,025.00. The Company's proposed monthly minimum charges
22 for construction and sales for resale customers are as follows: 5/8 x 3/4-inch, \$25.00; 3/4-
23 inch, \$37.50; 1-inch, \$62.50; 1 1/2-inch, \$125.00; 2-inch, \$200.00; 3-inch, \$400.00; 4-inch,
24 \$625.00; 6-inch, \$1,250.00; 8-inch, \$2,000.00; and 10-inch \$2,875.00. The Company's
25 proposed private fire service is \$35.00 for all connection sizes. No gallons are included in the
26 monthly minimum charge.

1 **Q. Please summarize the commodity portion of the Company's proposed rate design for**
2 **White Tank.**

3 A. The Company proposes a four-tier inverted-block commodity rate for 5/8 x 3/4-inch
4 residential customers with a \$2.2531 per thousand gallons lifeline first-tier (zero to 3,000
5 gallons) commodity rate, a \$3.3065 per thousand gallons second-tier (3,001 to 10,000 gallons)
6 commodity rate, a \$4.3599 per thousand gallons third-tier (10,001 to 30,000 gallons)
7 commodity rate, and a \$6.4668 per thousand gallons fourth-tier for any consumption over
8 30,000 gallons. The Company also proposes a four-tier inverted-block commodity rate for
9 3/4-inch residential customers with the same commodity rates per thousand gallons for each
10 tier but with break-over points at 5,000, 15,000, and 30,000 gallons respectively. The 1-inch
11 and larger residential, commercial and construction classes' commodity break-over points
12 vary by meter size with a \$3.3065 per thousand gallons first-tier commodity rate, a \$4.3599
13 per thousand gallons second-tier rate and a \$6.4668 per thousand gallons for any
14 consumption over the second-tier. The Company proposes a flat commodity rate for 4-inch
15 and smaller industrial meters of \$4.3599 and for 6-inch and larger meters of \$3.5000 per
16 thousand gallons. The Company proposed a flat rate of \$3.3065 for all sales for resale meter
17 sizes.

18
19 **Q. Please summarize the monthly minimum portion of Staff's recommended rate design**
20 **for White Tank.**

21 A. Staff is recommending different monthly minimum charges by customer class and by meter
22 size. Staff's recommended monthly minimum charges for residential customers are as
23 follows: 5/8 x 3/4-inch, \$28.00; 3/4-inch, \$42.00; 1-inch, \$70.00; 1 1/2-inch, \$140.00; 2-
24 inch, \$224.00; 3-inch, \$448.00; 4-inch, \$700.00; 6-inch, \$1,400.00; 8-inch, \$2,240.00; and 10-
25 inch \$3,220.00. Staff's recommended monthly minimum charges for commercial and
26 industrial customers are as follows: 5/8 x 3/4-inch, \$31.36; 3/4-inch, \$47.04; 1-inch, \$78.40;

1 1 1/2-inch, \$156.80; 2-inch, \$250.88; 3-inch, \$501.76; 4-inch, \$784.00; 6-inch, \$1,568.00; 8-
2 inch, \$2,508.80; and 10-inch \$3,606.40. Staff's recommended monthly minimum charges for
3 construction and sales for resale customers are as follows: 5/8 x 3/4-inch, \$24.64; 3/4-inch,
4 \$36.96; 1-inch, \$61.60; 1 1/2-inch, \$123.20; 2-inch, \$197.12; 3-inch, \$394.24; 4-inch, \$616.00;
5 6-inch, \$1,232.00; 8-inch, \$1,971.20; and 10-inch \$2,833.60. Staff's recommended private fire
6 service is \$31.36 for all connection sizes. No gallons are included in the monthly minimum
7 charge.

8
9 **Q. Please summarize the commodity portion of Staff's recommended rate design for**
10 **White Tank.**

11 A. Staff recommends a four-tier inverted-block commodity rate for 5/8 x 3/4-inch and 3/4-inch
12 residential customers using the Company's proposed break-over points but with a \$1.9150
13 per thousand gallons first-tier, a \$2.7700 per thousand gallons second-tier, a \$4.4090 per
14 thousand gallons third-tier, and a \$6.2400 per thousand gallons fourth-tier commodity rate.
15 The 1-inch and larger residential, commercial, and construction classes' commodity break-
16 over points vary by meter size with a \$2.7700 per thousand gallons first-tier, a \$4.4090 per
17 thousand gallons second-tier, and a \$6.2400 per thousand gallons commodity rate for any
18 consumption over the second-tier. Staff recommends a flat commodity rate for industrial
19 meters 4-inches and smaller of \$4.4090 and a flat commodity rate for industrial meters 6-
20 inches and larger of \$3.5394. Staff also recommends a flat rate for all meter sizes of the sales
21 for resale customer class of \$2.7700 per thousand gallons.

22
23 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter White Tank residential**
24 **customer?**

25 A. The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential
26 bill with median usage of 7,681 gallons from \$40.04 to \$52.24 for an increase of \$12.19 or

30.45 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter residential bill with median usage of 7,681 gallons from \$40.04 to \$46.71, for an increase of \$6.67 or 16.65 percent.

Q. What is the Company's rate structure under present, Company's proposed and Staff's recommended rates for White Tank?

A. Under present rates, approximately 40.81 percent of revenue is coming from the monthly minimum and 59.19 percent is from the commodity charges. Under the Company's proposed rates, approximately 43.26 percent of revenue is coming from monthly minimum and 56.74 percent of revenue is from commodity charges. Under Staff's recommended rates, approximately 43.10 percent is coming from monthly minimum and 56.90 percent is from commodity charges.

Ajo Service Area ("Ajo")

Q. Please summarize the Company's present rate design for Ajo.

A. The present monthly minimum charges by meter size for all customer classes are as follows: 5/8 x 3/4-inch, \$25.00; 1-inch, \$62.50; 1 1/2-inch, \$125.00; 2-inch, \$200.00; 3-inch, \$400.00; 4-inch, \$625.00; 6-inch, \$1,250.00; 8-inch, \$2,000.00; and 10-inch \$2,875.00. The current private fire service is \$25.00 for all connection sizes. No gallons are included in the monthly minimum charge.

Q. Please summarize the commodity portion of the Company's present rate design for Ajo.

A. The commodity rate for the 5/8 x 3/4-inch residential customers is \$3.3617 per thousand gallons for zero to 3,000 gallons, \$5.9502 per thousand gallons for 3,001 to 10,000 gallons, and \$9.2228 per thousand gallons for any consumption over 10,000 gallons. The 1-inch and

1 larger residential, commercial, industrial (up to 4-inch meters) and construction classes'
2 commodity break-over points vary by meter size with a \$5.9502 per thousand gallons first-tier
3 commodity rate and a \$9.2228 per thousand gallons commodity rate for any consumption
4 over the first-tier. The present commodity rate for sales for resale water and industrial meters
5 6-inches and larger is a flat rate of \$5.9502 per thousand gallons.

6
7 **Q. Please summarize the monthly minimum portion of the Company's proposed rate**
8 **design for Ajo.**

9 A. The Company is proposing different monthly minimum charges by customer class and meter
10 size. The Company's proposed residential monthly minimum charges by meter size are as
11 follows: 5/8 x 3/4-inch, \$28.00; 3/4-inch, \$42.00; 1-inch, \$70.00; 1 1/2-inch, \$140.00; 2-
12 inch, \$224.00; 3-inch, \$448.00; 4-inch, \$700.00; 6-inch, \$1,400.00; 8-inch, \$2,240.00; and 10-
13 inch \$3,220.00. The Company's proposed monthly minimum charges for commercial,
14 construction, and sales for resale customers are as follows: 5/8 x 3/4-inch, \$33.00; 3/4-inch,
15 \$49.50; 1-inch, \$82.50; 1 1/2-inch, \$165.00; 2-inch, \$264.00; 3-inch, \$528.00; 4-inch, \$825.00;
16 6-inch, \$1,650.00; 8-inch, \$2,640.00; and 10-inch \$3,795.00. The Company's proposed
17 monthly minimum charges for industrial customers are as follows: 5/8 x 3/4-inch, \$35.00;
18 3/4-inch, \$52.50; 1-inch, \$87.50; 1 1/2-inch, \$175.00; 2-inch, \$280.00; 3-inch, \$560.00; 4-inch,
19 \$875.00; 6-inch, \$1,750.00; 8-inch, \$2,800.00; and 10-inch \$4,025.00. The Company's
20 proposed private fire service is \$35.00 for all connection sizes. No gallons are included in the
21 monthly minimum charge.

22
23 **Q. Please summarize the commodity portion of the Company's proposed rate design for**
24 **Ajo.**

25 A. The Company proposes a four-tier inverted-block commodity rate for 5/8 x 3/4-inch
26 residential customers with a \$4.4007 per thousand gallons lifeline first-tier (zero to 2,000

1 gallons) commodity rate, a \$6.3189 per thousand gallons second-tier (2,001 to 5,000 gallons)
2 commodity rate, a \$8.2370 per thousand gallons third-tier (5,001 to 10,000 gallons)
3 commodity rate, and a \$12.0733 per thousand gallons fourth-tier for any consumption over
4 10,000 gallons. The Company also proposes a four-tier inverted-block commodity rate for
5 3/4-inch residential customers with the same commodity rates per thousand gallons for each
6 tier but with break-over points at 3,000, 7,000, and 11,000 gallons respectively. The 1-inch
7 and larger residential, commercial, and construction classes' commodity break-over points
8 vary by meter size with a \$6.3189 per thousand gallons first-tier commodity rate, a \$8.2370
9 per thousand gallons second-tier rate and a \$12.0733 per thousand gallons for any
10 consumption over the second-tier. The Company proposes a flat commodity rate for 4-inch
11 and smaller industrial meters of \$8.2370 and for 6-inch and larger meters of \$2.2500 per
12 thousand gallons. The Company also proposed a flat rate of \$6.3189 for all sales for resale
13 meter sizes.
14

15 **Q. Please summarize the monthly minimum portion of Staff's recommended rate design**
16 **for Ajo.**

17 A. Staff is recommending different monthly minimum charges by customer class and by meter
18 size. Staff's recommended monthly minimum charges for residential customers are as
19 follows: 5/8 x 3/4-inch, \$26.93; 3/4-inch, \$40.40; 1-inch, \$67.33; 1 1/2-inch, \$134.65; 2-
20 inch, \$215.44; 3-inch, \$430.88; 4-inch, \$673.25; 6-inch, \$1,346.50; 8-inch, \$2,154.40; and 10-
21 inch \$3,096.95. Staff's recommended monthly minimum charges for commercial,
22 construction and sales for resale customers are as follows: 5/8 x 3/4-inch, \$31.74; 3/4-inch,
23 \$47.61; 1-inch, \$79.35; 1 1/2-inch, \$158.69; 2-inch, \$253.91; 3-inch, \$507.82; 4-inch, \$793.47;
24 6-inch, \$1,586.95; 8-inch, \$2,539.11; and 10-inch \$3,649.98. Staff's recommended monthly
25 minimum charges for industrial customers are as follows: 5/8 x 3/4-inch, \$33.66; 3/4-inch,
26 \$50.49; 1-inch, \$84.16; 1 1/2-inch, \$168.31; 2-inch, \$269.30; 3-inch, \$538.60; 4-inch, \$841.56;

1 6-inch, \$1,683.13; 8-inch, \$2,693.00; and 10-inch \$3,871.19. Staff's recommended private fire
2 service is \$33.99 for all connection sizes. No gallons are included in the monthly minimum
3 charge.
4

5 **Q. Please summarize the commodity portion of Staff's recommended rate design for Ajo.**

6 A. Staff recommends a four-tier inverted-block commodity rate for 5/8 x 3/4-inch and 3/4-inch
7 residential customers using the Company's proposed break-over points but with a \$4.1650
8 per thousand gallons first-tier, a \$5.6650 per thousand gallons second-tier, a \$7.3100 per
9 thousand gallons third-tier, and a \$10.5930 per thousand gallons fourth-tier commodity rate.
10 The 1-inch and larger residential, commercial, and construction classes' commodity break-
11 over points vary by meter size with a \$5.6650 per thousand gallons first-tier, a \$7.3100 per
12 thousand gallons second-tier, and a \$10.5930 per thousand gallons commodity rate for any
13 consumption over the second-tier. Staff recommends a flat commodity rate for industrial
14 meters 4-inches and smaller of \$7.3100 and a flat commodity rate for industrial meters 6-
15 inches and larger of \$1.9968. Staff also recommends a flat rate for all meter sizes of the sales
16 for resale customer class of \$5.6650 per thousand gallons.
17

18 **Q. What is the rate impact on a typical 5/8 x 3/4-inch meter Ajo residential customer?**

19 A. The Company's proposed rates would increase the typical 5/8 x 3/4-inch meter residential
20 bill with median usage of 2,680 gallons from \$34.01 to \$41.10 for an increase of \$7.09 or
21 20.84 percent. Staff's recommended rates would increase the typical 5/8 x 3/4-inch meter
22 residential bill with a median usage of 2,680 gallons from \$34.01 to \$39.11, for an increase of
23 \$5.10 or 15.00 percent.
24

1 **Q. What is the Company's rate structure under present, Company's proposed and Staff's**
2 **recommended rates for Ajo?**

3 A. Under present rates, approximately 48.90 percent of revenue is coming from the monthly
4 minimum and 51.10 percent is from the commodity charges. Under the Company's
5 proposed rates, approximately 46.44 percent of revenue is coming from monthly minimum
6 and 53.56 percent of revenue is from commodity charges. Under Staff's recommended rates,
7 approximately 48.21 percent is coming from monthly minimum and 51.79 percent is from
8 commodity charges.
9

10 **ARSENIC COST RECOVERY MECHANISM**

11 **Q. Is the Company currently collecting a surcharge for an Arsenic Cost Recovery**
12 **Mechanism ("ACRM")?**

13 A. Yes. Decision No. 75412, dated January 19, 2016, authorized the Company to start collecting
14 step 1 of the ACRM for the arsenic treatment plant that was added in the Company's Valley
15 Farm system, part of the Pinal Valley service area.³ The step 1 surcharge that was approved
16 increased the typical 5/8 x 3/4-inch meter residential monthly minimum by \$0.15 and added
17 \$0.0160 to the commodity rate for each tier. The Decision was effective immediately.
18

19 **Q. What treatment does Staff recommend for the ACRM surcharge approved in Decision**
20 **No. 75412?**

21 A. Staff recommends that the ACRM surcharge approved in Decision No. 75412, cease when
22 the rates in this proceeding become effective, because the arsenic treatment plant has been
23 included in rate base as a post-test year addition in this Docket.
24

³ Decision No. 75449, dated February 11, 2016, corrects nunc pro tunc, an error in an attached schedule in Decision No. 75412.

OTHER CHARGES

Service Line and Meter Installation Charges

Q. Did the Company propose any changes to the service line and meter installation charges for the Western Group Systems?

A. Yes.

Q. Does Staff agree with the Company's proposed changes to the service line and meter installation charges?

A. Yes, and Staff recommends approval. Both the Company-proposed and the Staff-recommended changes are shown on Schedule BAB-1 for each service area and are discussed in greater detail in prior testimony filed in this Docket by Staff witness, Mr. Frank Smaila.

Miscellaneous Service Charges

Q. Did the Company propose any changes to the miscellaneous service charges for the Western Group Service Areas?

A. No.

Q. Does Staff agree that no changes to the service charges is appropriate?

A. Yes. Staff agrees with the Company that no changes are necessary at this time.

Q. Does this conclude Staff's rate design direct testimony?

A. Yes, it does.

RATE DESIGN							
Monthly Usage Charge	Present Rates	Company Proposed Rates			Staff Recommended Rates		
	All Meters	Commercial, Construction & Sales for Residential	Commercial, Construction & Sales for Resale	Commercial, Construction & Sales for Industrial	Commercial, Construction & Sales for Residential	Commercial, Construction & Sales for Resale	Commercial, Construction & Sales for Industrial
5/8 x 3/4" Meter	\$16.00	\$22.00	\$25.00	\$35.00	\$20.00	\$21.55	\$31.82
3/4" Meter	n/a	33.00	37.50	52.50	30.00	32.33	47.73
1" Meter	40.00	55.00	62.50	87.50	50.00	53.88	79.55
1½" Meter	80.00	110.00	125.00	175.00	100.00	107.75	159.09
2" Meter	128.00	176.00	200.00	280.00	160.00	172.40	254.55
3" Meter	256.00	352.00	400.00	560.00	320.00	344.80	509.09
4" Meter	400.00	550.00	625.00	875.00	500.00	538.75	795.45
6" Meter	800.00	1,100.00	1,250.00	1,750.00	1,000.00	1,077.50	1,590.91
8" Meter	1,280.00	1,760.00	2,000.00	2,800.00	1,600.00	1,724.00	2,545.45
10" Meter	1,840.00	2,530.00	2,875.00	4,025.00	2,300.00	2,478.25	3,659.09
Private Fire Service (all connection sizes)	25.00			35.00			31.82
Commodity Rates							
5/8 x 3/4" Meter - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	\$1.1879						
From 3,001 to 10,000 Gallons	2.1026						
Over 10,000 Gallons	3.2590						
From 1 to 2,000 Gallons		\$1.5246			\$1.4350		
From 2,001 to 7,000 Gallons		2.1891			1.9390		
From 7,001 to 18,000 Gallons		2.8536			2.7223		
Over 18,000 Gallons		4.1827			3.9613		
5/8 x 3/4" Meter - Commercial							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	\$2.1026						
Over 10,000 Gallons	3.2590						
From 1 to 3,000 Gallons			\$2.1891			\$1.9390	
From 3,001 to 15,000 Gallons			2.8536			2.7223	
Over 15,000 Gallons			4.1827			3.9613	
5/8 x 3/4" Meter - Construction							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	n/a		\$2.1891			\$1.9390	
From 3,001 to 15,000 Gallons	n/a		2.8536			2.7223	
Over 15,000 Gallons	n/a		4.1827			3.9613	
5/8 x 3/4" Meter - Industrial							
Gallons Included in Minimum	0			0			0
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	\$1.5500						
Over 10,000 Gallons	2.4800						
All Gallons				\$2.5000			\$2.4500
3/4" - Residential							
Gallons Included in Minimum	n/a	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 4,000 Gallons	n/a	\$1.5246			\$1.4350		
From 4,001 to 10,000 Gallons	n/a	2.1891			1.9390		
From 10,001 to 18,000 Gallons	n/a	2.8536			2.7223		
Over 18,000 Gallons	n/a	4.1827			3.9613		
3/4" - Commercial & Construction							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 5,000 Gallons	n/a		\$2.1891			\$1.9390	
From 5,001 to 20,000 Gallons	n/a		2.8536			2.7223	
Over 20,000 Gallons	n/a		4.1827			3.9613	
3/4" - Industrial							
Gallons Included in Minimum	0			0			0
Excess of Minimum - per 1,000 Gallons							
All Gallons	n/a			\$2.5000			\$2.4500

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
1" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 25,000 Gallons	\$2.1026		
Over 25,000 Gallons	3.2590		
From 1 to 5,000 Gallons		\$2.1891	\$1.9390
From 5,001 to 18,000 Gallons		2.8536	2.7223
Over 18,000 Gallons		4.1827	3.9613
1" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 25,000 Gallons	\$2.1026		
Over 25,000 Gallons	3.2590		
From 1 to 8,000 Gallons		\$2.1899	\$1.9390
From 8,001 to 38,000 Gallons		2.8536	2.7223
Over 38,000 Gallons		4.1827	3.9613
1" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 25,000 Gallons	\$1.5500		
Over 25,000 Gallons	2.4800		
All Gallons		\$2.5000	\$2.4500
1" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 8,000 Gallons	n/a	\$2.1899	\$1.9390
From 8,001 to 38,000 Gallons	n/a	2.8536	2.7223
Over 38,000 Gallons	n/a	4.1827	3.9613
1½" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 55,000 Gallons	\$2.1026		
Over 55,000 Gallons	3.2590		
From 1 to 10,000 Gallons		\$2.1891	\$1.9390
From 10,001 to 35,000 Gallons		2.8536	2.7223
Over 35,000 Gallons		4.1827	3.9613
1½" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 55,000 Gallons	\$2.1026		
Over 55,000 Gallons	3.2590		
From 1 to 15,000 Gallons		\$2.1891	\$1.9390
From 15,001 to 75,000 Gallons		2.8536	2.7223
Over 75,000 Gallons		4.1827	3.9613
1½" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 55,000 Gallons	\$1.5500		
Over 55,000 Gallons	2.4800		
All Gallons		\$2.5000	\$2.4500
1½" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 15,000 Gallons		\$2.1891	\$1.9390
From 15,001 to 75,000 Gallons		2.8536	2.7223
Over 75,000 Gallons		4.1827	3.9613
2" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 95,000 Gallons	\$2.1026		
Over 95,000 Gallons	3.2590		
From 1 to 16,000 Gallons		\$2.1891	\$1.9390
From 16,001 to 56,000 Gallons		2.8536	2.7223
Over 56,000 Gallons		4.1827	3.9613

RATE DESIGN CONT

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
2" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 95,000 Gallons	\$2.1026		
Over 95,000 Gallons	3.2590		
From 1 to 24,000 Gallons		\$2.1891	\$1.9390
From 24,001 to 120,000 Gallons		2.8536	2.7223
Over 120,000 Gallons		4.1827	3.9613
2" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 95,000 Gallons	\$1.5500		
Over 95,000 Gallons	2.4800		
All Gallons		\$2.5000	\$2.4500
3" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 195,000 Gallons	\$2.1026		
Over 195,000 Gallons	3.2590		
From 1 to 32,000 Gallons		\$2.1891	\$1.9390
From 32,001 to 112,000 Gallons		2.8536	2.7223
Over 112,000 Gallons		4.1827	3.9613
3" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 195,000 Gallons	\$2.1026		
Over 195,000 Gallons	3.2590		
From 1 to 48,000 Gallons		\$2.1891	\$1.9390
From 48,001 to 240,000 Gallons		2.8536	2.7223
Over 240,000 Gallons		4.1827	3.9613
3" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 195,000 Gallons	\$1.5500		
Over 195,000 Gallons	2.4800		
All Gallons		\$2.5000	\$2.4500
4" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 315,000 Gallons	\$2.1026		
Over 315,000 Gallons	3.2590		
From 1 to 50,000 Gallons		\$2.1891	\$1.9390
From 50,001 to 175,000 Gallons		2.8536	2.7223
Over 175,000 Gallons		4.1827	3.9613
4" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 315,000 Gallons	\$2.1026		
Over 315,000 Gallons	3.2590		
From 1 to 75,000 Gallons		\$2.1891	\$1.9390
From 75,001 to 375,000 Gallons		2.8536	2.7223
Over 375,000 Gallons		4.1827	3.9613
4" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 315,000 Gallons	\$1.5500		
Over 315,000 Gallons	2.4800		
All Gallons		\$2.5000	\$2.4500

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
6" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 650,000 Gallons	\$2.1026		
Over 650,000 Gallons	3.2590		
From 1 to 100,000 Gallons		\$2.1891	\$1.9390
From 100,001 to 350,000 Gallons		2.8536	2.7223
Over 350,000 Gallons		4.1827	3.9613
6" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 650,000 Gallons	\$2.1026		
Over 650,000 Gallons	3.2590		
From 1 to 150,000 Gallons		\$2.1891	\$1.9390
From 150,001 to 750,000 Gallons		2.8536	2.7223
Over 750,000 Gallons		4.1827	3.9613
6" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 150,000 Gallons	n/a	\$2.1891	\$1.9390
From 150,001 to 750,000 Gallons	n/a	2.8536	2.7223
Over 750,000 Gallons	n/a	4.1827	3.9613
6" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$1.5500	\$1.7500	\$1.7150
8" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,000,000 Gallons	\$2.1026		
Over 1,000,000 Gallons	3.2590		
From 1 to 160,000 Gallons		\$2.1891	\$1.9390
From 160,001 to 560,000 Gallons		2.8536	2.7223
Over 560,000 Gallons		4.1827	3.9613
8" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,000,000 Gallons	\$2.1026		
Over 1,000,000 Gallons	3.2590		
From 1 to 240,000 Gallons		\$2.1891	\$1.9390
From 240,001 to 1,200,000 Gallons		2.8536	2.7223
Over 1,200,000 Gallons		4.1827	3.9613
8" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 240,000 Gallons	n/a	\$2.1891	\$1.9390
From 240,001 to 1,200,000 Gallons	n/a	2.8536	2.7223
Over 1,200,000 Gallons	n/a	4.1827	3.9613
8" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$1.5500	\$1.7500	\$1.7150
10" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,475,000 Gallons	\$2.1026		
Over 1,475,000 Gallons	3.2590		
From 1 to 230,000 Gallons		\$2.1891	\$1.9390
From 230,001 to 805,000 Gallons		2.8536	2.7223
Over 805,000 Gallons		4.1827	3.9613

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
10" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,475,000 Gallons	\$2.1026		
Over 1,475,000 Gallons	3.2590		
From 1 to 345,000 Gallons		\$2.1891	\$1.9390
From 345,001 to 1,725,000 Gallons		2.8536	2.7223
Over 1,725,000 Gallons		4.1827	3.9613
10" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 345,000 Gallons	n/a	\$2.1891	\$1.9390
From 345,001 to 1,725,000 Gallons	n/a	2.8536	2.7223
Over 1,725,000 Gallons	n/a	4.1827	3.9613
10" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
Per 1,000 Gallons	\$1.5500	\$1.7500	\$1.7150
Sales for Resale - All Meters			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$1.5500	\$2.1891	\$1.9175
Coin Machine			
Number of gallons	109.00	105.00	105.00

Service Line and Meter Installation Charges	Present Rates			Company Proposed Rates			Staff Recommended Rates		
	Service Line ¹	Meter Charge	Total Charge	Service Line ²	Meter Charge	Total Charge	Service Line ²	Meter Charge	Total Charge
Service Line									
5/8" x 3/4" Meter	\$445	\$155	\$600	\$565	Actual Cost	Varies	\$565	Actual Cost	Varies
3/4" Meter	n/a	n/a	n/a	565	Actual Cost	Varies	565	Actual Cost	Varies
1" Meter	495	315	810	629	Actual Cost	Varies	629	Actual Cost	Varies
1 1/2" Meter	n/a	n/a	n/a	699	Actual Cost	Varies	699	Actual Cost	Varies
2" Turbine Meter	830	1,045	1,875	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
2" Compound Meter	830	1,890	2,720	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
3" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
3" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
4" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
4" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
6" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
6" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
8" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
8" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
10" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
10" Compound Meter		Actual Cost			Actual Cost			Actual Cost	

Service Charges			
Establishment	\$32.00	\$32.00	\$32.00
Guarantee Deposit	(a)	(a)	(a)
Reconnection for Delinquency	32.00	32.00	32.00
Re-establishment	(b)	(b)	(b)
After Hours Service Call out ³	35.00	35.00	35.00
Returned payment for insufficient funds	25.00	25.00	25.00
Meter Re-Read	25.00	25.00	25.00
Meter Test	(c)	(c)	(c)
Late Charge	(d)	(d)	(d)

¹ Actual cost of service line if boring under roadway is required.

² Actual cost of service line if boring under, or cutting roadway/sidewalk is required.

³ After regular working hours, on Saturdays, Sundays or holidays.

(a) Residential - maximum: Two (2) times average customer class bill.

Non-Residential - maximum: Two and one-half (2 1/2) times that customers estimated maximum monthly bill.

(b) Eight (8) times the Customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.

(c) No charge for the first test; for the second test for the same customer within any twelve (12) month period, \$25.00, or actual time and material whichever is greater.

(d) 1.5 percent after 15 days.

TYPICAL BILL ANALYSIS
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	7,781	\$29.62	\$38.22	\$8.61	29.06%
Median Usage	5,700	\$25.24	\$33.15	\$7.91	31.33%
Staff Recommended					
Average Usage	7,781	\$29.62	\$34.69	\$5.07	17.14%
Median Usage	5,700	\$25.24	\$30.04	\$4.80	19.01%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$16.00	\$22.00	37.50%	\$20.00	25.00%
1,000	\$17.19	\$23.52	36.87%	\$21.44	24.71%
2,000	\$18.38	\$25.05	36.32%	\$22.87	24.46%
3,000	\$19.56	\$27.24	39.23%	\$24.81	26.81%
4,000	\$21.67	\$29.43	35.82%	\$26.75	23.45%
5,000	\$23.77	\$31.62	33.02%	\$28.69	20.69%
6,000	\$25.87	\$33.81	30.67%	\$30.63	18.38%
7,000	\$27.97	\$35.99	28.67%	\$32.57	16.41%
8,000	\$30.08	\$38.85	29.16%	\$35.29	17.32%
9,000	\$32.18	\$41.70	29.59%	\$38.01	18.12%
10,000	\$34.28	\$44.56	29.97%	\$40.73	18.81%
11,000	\$37.54	\$47.41	26.29%	\$43.45	15.75%
12,000	\$40.80	\$50.26	23.19%	\$46.18	13.18%
13,000	\$44.06	\$53.12	20.56%	\$48.90	10.99%
14,000	\$47.32	\$55.97	18.28%	\$51.62	9.09%
15,000	\$50.58	\$58.82	16.31%	\$54.34	7.45%
16,000	\$53.84	\$61.68	14.57%	\$57.07	6.00%
17,000	\$57.09	\$64.53	13.02%	\$59.79	4.72%
18,000	\$60.35	\$67.38	11.65%	\$62.51	3.57%
19,000	\$63.61	\$71.57	12.50%	\$66.47	4.49%
20,000	\$66.87	\$75.75	13.28%	\$70.43	5.33%
25,000	\$83.17	\$96.66	16.23%	\$90.24	8.50%
30,000	\$99.46	\$117.58	18.21%	\$110.05	10.64%
35,000	\$115.76	\$138.49	19.64%	\$129.85	12.18%
40,000	\$132.05	\$159.40	20.71%	\$149.66	13.33%
45,000	\$148.35	\$180.32	21.55%	\$169.47	14.24%
50,000	\$164.64	\$201.23	22.22%	\$189.27	14.96%
75,000	\$246.12	\$305.80	24.25%	\$288.30	17.14%
100,000	\$327.59	\$410.37	25.27%	\$387.34	18.24%

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates			Staff Recommended Rates		
		Residential	Commercial & Industrial	Construction & Sale for Resale	Residential	Commercial & Industrial	Construction & Sale for Resale
	All Meters						
5/8 x 3/4" Meter	\$23.00	\$30.00	\$35.00	\$25.00	\$28.00	\$31.36	\$24.64
3/4" Meter	n/a	45.00	52.50	37.50	42.00	47.04	36.96
1" Meter	57.50	75.00	87.50	62.50	70.00	78.40	61.60
1 1/2" Meter	115.00	150.00	175.00	125.00	140.00	156.80	123.20
2" Meter	184.00	240.00	280.00	200.00	224.00	250.88	197.12
3" Meter	368.00	480.00	560.00	400.00	448.00	501.76	394.24
4" Meter	575.00	750.00	875.00	625.00	700.00	784.00	616.00
6" Meter	1,150.00	1,500.00	1,750.00	1,250.00	1,400.00	1,568.00	1,232.00
8" Meter	1,840.00	2,400.00	2,800.00	2,000.00	2,240.00	2,508.80	1,971.20
10" Meter	2,645.00	3,450.00	4,025.00	2,875.00	3,220.00	3,606.40	2,833.60
Private Fire Service (all connection sizes)	25.00			35.00			31.36
Commodity Rates							
5/8 x 3/4" Meter - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 5,000 Gallons	\$1.8000						
From 5,001 to 15,000 Gallons	3.0000						
Over 15,000 Gallons	5.1664						
From 1 to 3,000 Gallons		\$2.2531			\$1.9150		
From 3,001 to 10,000 Gallons		3.3065			2.7700		
From 10,001 to 30,000 Gallons		4.3599			4.4090		
Over 30,000 Gallons		6.4668			6.2400		
5/8 x 3/4" Meter - Commercial							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	\$3.0000						
Over 10,000 Gallons	5.1664						
From 1 to 5,000 Gallons		\$3.3065			\$2.7700		
From 5,001 to 20,000 Gallons		4.3599			4.4090		
Over 20,000 Gallons		6.4668			6.2400		
5/8 x 3/4" Meter - Construction							
Gallons Included in Minimum	n/a			0			0
Excess of Minimum - per 1,000 Gallons							
From 1 to 5,000 Gallons	n/a			\$3.3065			\$2.7700
From 5,001 to 20,000 Gallons	n/a			4.3599			4.4090
Over 20,000 Gallons	n/a			6.4668			6.2400
5/8 x 3/4" Industrial							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	\$3.0000						
Over 10,000 Gallons	5.1664						
All Gallons		\$4.3599			\$4.4090		
3/4" - Residential							
Gallons Included in Minimum	n/a	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 5,000 Gallons	n/a	\$2.2531			\$1.9150		
From 5,001 to 15,000 Gallons	n/a	3.3065			2.7700		
From 15,001 to 30,000 Gallons	n/a	4.3599			4.4090		
Over 30,000 Gallons	n/a	6.4668			6.2400		
3/4" - Commercial & Construction							
Gallons Included in Minimum	n/a			0			0
Excess of Minimum - per 1,000 Gallons							
From 1 to 8,000 Gallons	n/a			\$3.3065			\$2.7700
From 8,001 to 25,000 Gallons	n/a			4.3599			4.4090
Over 25,000 Gallons	n/a			6.4668			6.2400
3/4" - Industrial							
Gallons Included in Minimum	n/a	0			0		
Excess of Minimum - per 1,000 Gallons							
All Gallons	n/a	\$4.3599			\$4.4090		
1" - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 25,000 Gallons	\$3.0000						
Over 25,000 Gallons	5.1664						
From 1 to 8,000 Gallons		\$3.3065			\$2.7700		
From 8,001 to 20,000 Gallons		4.3599			4.4090		
Over 20,000 Gallons		6.4668			6.2400		

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
1" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 20,000 Gallons	\$3.0000		
Over 20,000 Gallons	5.1664		
From 1 to 13,000 Gallons		\$3.3065	\$2.7700
From 13,001 to 35,000 Gallons		4.3599	4.4090
Over 35,000 Gallons		6.4668	6.2400
1" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 13,000 Gallons	n/a	\$3.3065	\$2.7700
From 13,001 to 35,000 Gallons	n/a	4.3599	4.4090
Over 35,000 Gallons	n/a	6.4668	6.2400
1" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 20,000 Gallons	\$3.0000		
Over 20,000 Gallons	5.1664		
All Gallons		\$4.3599	\$4.4090
1½" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 50,000 Gallons	\$3.0000		
Over 50,000 Gallons	5.1664		
From 1 to 15,000 Gallons		\$3.3065	\$2.7700
From 15,001 to 35,000 Gallons		4.3599	4.4090
Over 35,000 Gallons		6.4668	6.2400
1½" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 45,000 Gallons	\$3.0000		
Over 45,000 Gallons	5.1664		
From 1 to 25,000 Gallons		\$3.3065	\$2.7700
From 25,001 to 50,000 Gallons		4.3599	4.4090
Over 50,000 Gallons		6.4668	6.2400
1½" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 25,000 Gallons	n/a	\$3.3065	\$2.7700
From 25,001 to 50,000 Gallons	n/a	4.3599	4.4090
Over 50,000 Gallons	n/a	6.4668	6.2400
1½" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 45,000 Gallons	\$3.0000		
Over 45,000 Gallons	5.1664		
All Gallons		\$4.3599	\$4.4090
2" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 80,000 Gallons	\$3.0000		
Over 80,000 Gallons	5.1664		
From 1 to 24,000 Gallons		\$3.3065	\$2.7700
From 24,001 to 60,000 Gallons		4.3599	4.4090
Over 60,000 Gallons		6.4668	6.2400
2" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 75,000 Gallons	\$3.0000		
Over 75,000 Gallons	5.1664		
From 1 to 40,000 Gallons		\$3.3065	\$2.7700
From 40,001 to 75,000 Gallons		4.3599	4.4090
Over 75,000 Gallons		6.4668	6.2400
2" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 75,000 Gallons	\$3.0000		
Over 75,000 Gallons	5.1664		
All Gallons		\$4.3599	\$4.4090

RATE DESIGN CON'T			
Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
3" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 160,000 Gallons	\$3.0000		
Over 160,000 Gallons	5.1664		
From 1 to 48,000 Gallons		\$3.3065	\$2.7700
From 48,001 to 120,000 Gallons		4.3599	4.4090
Over 120,000 Gallons		6.4668	6.2400
3" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 155,000 Gallons	\$3.0000		
Over 155,000 Gallons	5.1664		
From 1 to 80,000 Gallons		\$3.3065	\$2.7700
From 80,001 to 150,000 Gallons		4.3599	4.4090
Over 150,000 Gallons		6.4668	6.2400
3" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 155,000 Gallons	\$3.0000		
Over 155,000 Gallons	5.1664		
All Gallons		\$4.3599	\$4.4090
4" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 250,000 Gallons	\$3.0000		
Over 250,000 Gallons	5.1664		
From 1 to 75,000 Gallons		\$3.3065	\$2.7700
From 75,001 to 200,000 Gallons		4.3599	4.4090
Over 200,000 Gallons		6.4668	6.2400
4" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 245,000 Gallons	\$3.0000		
Over 245,000 Gallons	5.1664		
From 1 to 125,000 Gallons		\$3.3065	\$2.7700
From 125,001 to 240,000 Gallons		4.3599	4.4090
Over 240,000 Gallons		6.4668	6.2400
4" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 245,000 Gallons	\$3.0000		
Over 245,000 Gallons	5.1664		
All Gallons		\$4.3599	\$4.4090
6" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 500,000 Gallons	\$3.0000		
Over 500,000 Gallons	5.1664		
From 1 to 150,000 Gallons		\$3.3065	\$2.7700
From 150,001 to 425,000 Gallons		4.3599	4.4090
Over 425,000 Gallons		6.4668	6.2400
6" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 500,000 Gallons	\$3.0000		
Over 500,000 Gallons	5.1664		
From 1 to 250,000 Gallons		\$3.3065	\$2.7700
From 250,001 to 1,000,000 Gallons		4.3599	4.4090
Over 1,000,000 Gallons		6.4668	6.2400
6" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 250,000 Gallons	n/a	\$3.3065	\$2.7700
From 250,001 to 1,000,000 Gallons	n/a	4.3599	4.4090
Over 1,000,000 Gallons	n/a	6.4668	6.2400
6" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$3.0000	\$3.5000	\$3.5394

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
8" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 800,000 Gallons	\$3.0000		
Over 800,000 Gallons	5.1664		
From 1 to 240,000 Gallons		\$3.3065	\$2.7700
From 240,001 to 800,000 Gallons		4.3599	4.4090
Over 800,000 Gallons		6.4668	6.2400
8" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 800,000 Gallons	\$3.0000		
Over 800,000 Gallons	5.1664		
From 1 to 400,000 Gallons		\$3.3065	\$2.7700
From 400,001 to 1,600,000 Gallons		4.3599	4.4090
Over 1,600,000 Gallons		6.4668	6.2400
8" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 400,000 Gallons	n/a	\$3.3065	\$2.7700
From 400,001 to 1,600,000 Gallons	n/a	4.3599	4.4090
Over 1,600,000 Gallons	n/a	6.4668	6.2400
8" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$3.0000	\$3.5000	\$3.5394
10" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,150,000 Gallons	\$3.0000		
Over 1,150,000 Gallons	5.1664		
From 1 to 345,000 Gallons		\$3.3065	\$2.7700
From 345,001 to 1,150,000 Gallons		4.3599	4.4090
Over 1,150,000 Gallons		6.4668	6.2400
10" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 1,150,000 Gallons	\$3.0000		
Over 1,150,000 Gallons	5.1664		
From 1 to 575,000 Gallons		\$3.3065	\$2.7700
From 575,001 to 2,300,000 Gallons		4.3599	4.4090
Over 2,300,000 Gallons		6.4668	6.2400
10" - Construction			
Gallons Included in Minimum	n/a	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 575,000 Gallons	n/a	\$3.3065	\$0.0000
From 575,001 to 2,300,000 Gallons	n/a	4.3599	0.0000
Over 2,300,000 Gallons	n/a	6.4668	0.0000
10" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$3.0000	\$3.5000	\$3.5394
Sales for Resale - All Meters			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$3.0000	\$3.3065	\$2.7700

RATE DESIGN CONT

Service Line and Meter Installation Charges	Present Rates			Company Proposed Rates			Staff Recommended Rates		
	Service Line ¹	Meter Charge	Total Charge	Service Line ²	Meter Charge	Total Charge	Service Line ²	Meter Charge	Total Charge
5/8" x 3/4" Meter	\$445	\$155	\$600	\$565	Actual Cost	Varies	\$565	Actual Cost	Varies
3/4" Meter	n/a	n/a	n/a	565	Actual Cost	Varies	565	Actual Cost	Varies
1" Meter	495	315	810	629	Actual Cost	Varies	629	Actual Cost	Varies
1 1/2" Meter	n/a	n/a	n/a	699	Actual Cost	Varies	699	Actual Cost	Varies
2" Turbine Meter	830	1,045	1,875	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
2" Compound Meter	830	1,890	2,720	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
3" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
3" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
4" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
4" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
6" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
6" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
8" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
8" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
10" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
10" Compound Meter		Actual Cost			Actual Cost			Actual Cost	

Service Charges

Establishment	\$32.00	\$32.00	\$32.00
Guarantee Deposit	(a)	(a)	(a)
Reconnection for Delinquency	32.00	32.00	32.00
Re-establishment	(b)	(b)	(b)
After Hours Service Call out ³	35.00	35.00	35.00
Returned payment for insufficient funds	25.00	25.00	25.00
Meter Re-Read	25.00	25.00	25.00
Meter Test	(c)	(c)	(c)
Late Charge	(d)	(d)	(d)

¹ Actual cost of service line if boring under roadway is required.

² Actual cost of service line if boring under, or cutting roadway/sidewalk is required.

³ After regular working hours, on Saturdays, Sundays or holidays.

(a) Residential - maximum: Two (2) times average customer class bill.

Non-Residential - maximum: Two and one-half (2 1/2) times that customers estimated maximum monthly bill.

(b) Eight (8) times the Customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.

(c) No charge for the first test; for the second test for the same customer within any twelve (12) month period, \$25.00, or actual time and material whichever is greater.

(d) 1.5 percent after 15 days.

TYPICAL BILL ANALYSIS
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	11,733	\$52.20	\$67.46	\$15.26	29.24%
Median Usage	7,681	\$40.04	\$52.24	\$12.19	30.45%
Staff Recommended					
Average Usage	11,733	\$52.20	\$60.78	\$8.58	16.43%
Median Usage	7,681	\$40.04	\$46.71	\$6.67	16.65%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$23.00	\$30.00	30.43%	\$28.00	21.74%
1,000	\$24.80	\$32.25	30.05%	\$29.92	20.63%
2,000	\$26.60	\$34.51	29.72%	\$31.83	19.66%
3,000	\$28.40	\$36.76	29.43%	\$33.75	18.82%
4,000	\$30.20	\$40.07	32.67%	\$36.52	20.91%
5,000	\$32.00	\$43.37	35.54%	\$39.29	22.77%
6,000	\$35.00	\$46.68	33.37%	\$42.06	20.16%
7,000	\$38.00	\$49.99	31.54%	\$44.83	17.96%
8,000	\$41.00	\$53.29	29.98%	\$47.60	16.09%
9,000	\$44.00	\$56.60	28.63%	\$50.37	14.47%
10,000	\$47.00	\$59.90	27.46%	\$53.14	13.05%
11,000	\$50.00	\$64.26	28.53%	\$57.54	15.09%
12,000	\$53.00	\$68.62	29.48%	\$61.95	16.89%
13,000	\$56.00	\$72.98	30.33%	\$66.36	18.50%
14,000	\$59.00	\$77.34	31.09%	\$70.77	19.95%
15,000	\$62.00	\$81.70	31.78%	\$75.18	21.26%
16,000	\$67.17	\$86.06	28.14%	\$79.59	18.50%
17,000	\$72.33	\$90.42	25.01%	\$84.00	16.13%
18,000	\$77.50	\$94.78	22.30%	\$88.41	14.07%
19,000	\$82.67	\$99.14	19.93%	\$92.82	12.28%
20,000	\$87.83	\$103.50	17.84%	\$97.23	10.69%
25,000	\$113.66	\$125.30	10.24%	\$119.27	4.93%
30,000	\$139.50	\$147.10	5.45%	\$141.32	1.30%
35,000	\$165.33	\$179.44	8.53%	\$172.52	4.35%
40,000	\$191.16	\$211.77	10.78%	\$203.72	6.57%
45,000	\$216.99	\$244.10	12.49%	\$234.92	8.26%
50,000	\$242.82	\$276.44	13.84%	\$266.12	9.59%
75,000	\$371.98	\$438.11	17.78%	\$422.12	13.48%
100,000	\$501.14	\$599.78	19.68%	\$578.12	15.36%

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates			Staff Recommended Rates		
	All Meters	Residential	Resale	Industrial	Residential	Resale	Industrial
5/8 x 3/4" Meter	\$25.00	\$28.00	\$33.00	\$35.00	\$26.93	\$31.74	\$33.66
3/4" Meter	n/a	42.00	49.50	52.50	40.40	47.61	50.49
1" Meter	62.50	70.00	82.50	87.50	67.33	79.35	84.16
1½" Meter	125.00	140.00	165.00	175.00	134.65	158.69	168.31
2" Meter	200.00	224.00	264.00	280.00	215.44	253.91	269.30
3" Meter	400.00	448.00	528.00	560.00	430.88	507.82	538.60
4" Meter	625.00	700.00	825.00	875.00	673.25	793.47	841.56
6" Meter	1,250.00	1,400.00	1,650.00	1,750.00	1,346.50	1,586.95	1,683.13
8" Meter	2,000.00	2,240.00	2,640.00	2,800.00	2,154.40	2,539.11	2,693.00
10" Meter	2,875.00	3,220.00	3,795.00	4,025.00	3,096.95	3,649.98	3,871.19
Private Fire Service (all connection sizes)	25.00			35.00			33.66
Commodity Rates							
5/8 x 3/4" Meter - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	\$3.3617						
From 3,001 to 10,000 Gallons	5.9502						
Over 10,000 Gallons	9.2228						
From 1 to 2,000 Gallons		\$4.4007			\$4.1650		
From 2,001 to 5,000 Gallons		6.3189			5.6650		
From 5,001 to 10,000 Gallons		8.2370			7.3100		
Over 10,000 Gallons		12.0733			10.5930		
5/8 x 3/4" Meter - Commercial							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	\$5.9502						
Over 10,000 Gallons	9.2228						
From 1 to 2,000 Gallons			\$6.3189			\$5.6650	
From 2,001 to 18,000 Gallons			8.2370			7.3100	
Over 18,000 Gallons			12.0733			10.5930	
5/8 x 3/4" Meter - Industrial							
Gallons Included in Minimum	0			0			0
Excess of Minimum - per 1,000 Gallons							
From 1 to 10,000 Gallons	\$5.9502						
Over 10,000 Gallons	9.2228						
All Gallons				\$8.2370			\$7.3100
5/8 x 3/4" Meter - Construction							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 2,000 Gallons	n/a		\$6.3189			\$5.6650	
From 2,001 to 18,000 Gallons	n/a		8.2370			7.3100	
Over 18,000 Gallons	n/a		12.0733			10.5930	
3/4" - Residential							
Gallons Included in Minimum	0	0			0		
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	n/a	\$4.4007			\$4.1650		
From 3,001 to 7,000 Gallons	n/a	6.3189			5.6650		
From 7,001 to 11,000 Gallons	n/a	8.2370			7.3100		
Over 11,000 Gallons	n/a	12.0733			10.5930		
3/4" - Commercial & Construction							
Gallons Included in Minimum	0		0			0	
Excess of Minimum - per 1,000 Gallons							
From 1 to 3,000 Gallons	n/a		\$6.3189			\$5.6650	
From 3,001 to 20,000 Gallons	n/a		8.2370			7.3100	
Over 20,000 Gallons	n/a		12.0733			10.5930	
3/4" - Industrial							
Gallons Included in Minimum	0			0			0
Excess of Minimum - per 1,000 Gallons							
All Gallons	n/a			\$8.2370			\$7.3100

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
1" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 15,000 Gallons	\$5.9502		
Over 15,000 Gallons	9.2228		
From 1 to 5,000 Gallons		\$6.3189	\$5.6650
From 5,001 to 13,000 Gallons		8.2370	7.3100
Over 13,000 Gallons		12.0733	10.5930
1" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 15,000 Gallons	\$5.9502		
Over 15,000 Gallons	9.2228		
From 1 to 5,000 Gallons		\$6.3189	\$5.6650
From 5,001 to 25,000 Gallons		8.2370	7.3100
Over 25,000 Gallons		12.0733	10.5930
1" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 15,000 Gallons	\$5.9502		
Over 15,000 Gallons	9.2228		
All Gallons		\$8.2370	\$7.3100
1" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 5,000 Gallons	n/a	\$6.3189	\$5.6650
From 5,001 to 25,000 Gallons	n/a	8.2370	7.3100
Over 25,000 Gallons	n/a	12.0733	10.5930
1½" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 30,000 Gallons	\$5.9502		
Over 30,000 Gallons	9.2228		
From 1 to 10,000 Gallons		\$6.3189	\$5.6650
From 10,001 to 25,000 Gallons		8.2370	7.3100
Over 25,000 Gallons		12.0733	10.5930
1½" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 30,000 Gallons	\$5.9502		
Over 30,000 Gallons	9.2228		
From 1 to 10,000 Gallons		\$6.3189	\$5.6650
From 10,001 to 40,000 Gallons		8.2370	7.3100
Over 40,000 Gallons		12.0733	10.5930
1½" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 30,000 Gallons	\$5.9502		
Over 30,000 Gallons	9.2228		
All Gallons		\$8.2370	\$7.3100
1½" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 10,000 Gallons	n/a	\$6.3189	\$5.6650
From 10,001 to 40,000 Gallons	n/a	8.2370	7.3100
Over 40,000 Gallons	n/a	12.0733	10.5930
2" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 50,000 Gallons	\$5.9502		
Over 50,000 Gallons	9.2228		
From 1 to 16,000 Gallons		\$6.3189	\$5.6650
From 16,001 to 40,000 Gallons		8.2370	7.3100
Over 40,000 Gallons		12.0733	10.5930

RATE DESIGN CONT

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
2" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 50,000 Gallons	\$5.9502		
Over 50,000 Gallons	9.2228		
From 1 to 16,000 Gallons		\$6.3189	\$5.6650
From 16,001 to 60,000 Gallons		8.2370	7.3100
Over 60,000 Gallons		12.0733	10.5930
2" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 100,000 Gallons	\$5.9502		
Over 100,000 Gallons	9.2228		
All Gallons		\$8.2370	\$7.3100
3" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 100,000 Gallons	\$5.9502		
Over 100,000 Gallons	9.2228		
From 1 to 32,000 Gallons		\$6.3189	\$5.6650
From 32,001 to 80,000 Gallons		8.2370	7.3100
Over 80,000 Gallons		12.0733	10.5930
3" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 100,000 Gallons	\$5.9502		
Over 100,000 Gallons	9.2228		
From 1 to 32,000 Gallons		\$6.3189	\$5.6650
From 32,001 to 120,000 Gallons		8.2370	7.3100
Over 120,000 Gallons		12.0733	10.5930
3" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 50,000 Gallons	\$5.9502		
Over 50,000 Gallons	9.2228		
All Gallons		\$8.2370	\$7.3100
4" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 150,000 Gallons	\$5.9502		
Over 150,000 Gallons	9.2228		
From 1 to 50,000 Gallons		\$6.3189	\$5.6650
From 50,001 to 125,000 Gallons		8.2370	7.3100
Over 125,000 Gallons		12.0733	10.5930
4" - Commercial & Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 150,000 Gallons	\$5.9502		
Over 150,000 Gallons	9.2228		
From 1 to 50,000 Gallons		\$6.3189	\$5.6650
From 50,001 to 185,000 Gallons		8.2370	7.3100
Over 185,000 Gallons		12.0733	10.5930
4" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 150,000 Gallons	\$5.9502		
Over 150,000 Gallons	9.2228		
All Gallons		\$8.2370	\$7.3100
6" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 330,000 Gallons	\$5.9502		
Over 330,000 Gallons	9.2228		
From 1 to 100,000 Gallons		\$6.3189	\$5.6650
From 100,001 to 250,000 Gallons		8.2370	7.3100
Over 250,000 Gallons		12.0733	10.5930

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
6" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 330,000 Gallons	\$5.9502		
Over 330,000 Gallons	9.2228		
From 1 to 100,000 Gallons		\$6.3189	\$5.6650
From 100,001 to 300,000 Gallons		8.2370	7.3100
Over 300,000 Gallons		12.0733	10.5930
6" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$5.9502	\$2.2500	\$1.9968
6" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 100,000 Gallons	n/a	\$6.3189	\$5.6650
From 100,001 to 300,000 Gallons	n/a	8.2370	\$7.3100
Over 300,000 Gallons	n/a	12.0733	10.5930
8" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 525,000 Gallons	\$5.9502		
Over 525,000 Gallons	9.2228		
From 1 to 160,000 Gallons		\$6.3189	\$5.6650
From 160,001 to 400,000 Gallons		8.2370	7.3100
Over 400,000 Gallons		12.0733	10.5930
8" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 525,000 Gallons	\$5.9502		
Over 525,000 Gallons	9.2228		
From 1 to 160,000 Gallons		\$6.3189	\$5.6650
From 160,001 to 500,000 Gallons		8.2370	7.3100
Over 500,000 Gallons		12.0733	10.5930
8" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$5.9502	\$2.2500	\$1.9968
8" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 160,000 Gallons	n/a	\$6.3189	\$5.6650
From 160,001 to 500,000 Gallons	n/a	8.2370	7.3100
Over 500,000 Gallons	n/a	12.0733	10.5930
10" - Residential			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 775,000 Gallons	\$5.9502		
Over 775,000 Gallons	9.2228		
From 1 to 230,000 Gallons		\$6.3189	\$5.6650
From 230,001 to 575,000 Gallons		8.2370	7.3100
Over 575,000 Gallons		12.0733	10.5930
10" - Commercial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 775,000 Gallons	\$5.9502		
Over 775,000 Gallons	9.2228		
From 1 to 230,000 Gallons		\$6.3189	\$5.6650
From 230,001 to 750,000 Gallons		8.2370	7.3100
Over 750,000 Gallons		12.0733	10.5930
10" - Industrial			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$5.9502	\$2.2500	\$1.9968

RATE DESIGN CON'T

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
10" - Construction			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
From 1 to 230,000 Gallons	n/a	\$6.3189	\$5.6650
From 230,001 to 750,000 Gallons	n/a	8.2370	7.3100
Over 750,000 Gallons	n/a	12.0733	10.5930
Sales for Resale - All Meters			
Gallons Included in Minimum	0	0	0
Excess of Minimum - per 1,000 Gallons			
All Gallons	\$5.9502	\$6.3189	\$5.6650

Service Line and Meter Installation Charges	Present Rates			Company Proposed Rates			Staff Recommended Rates		
	Service Line ¹	Meter Charge	Total Charge	Service Line ²	Meter Charge	Total Charge	Service Line ²	Meter Charge	Total Charge
Service Line									
5/8" x 3/4" Meter	\$445	\$155	\$600	\$565	Actual Cost	Varies	\$565	Actual Cost	Varies
3/4" Meter	n/a	n/a	n/a	565	Actual Cost	Varies	565	Actual Cost	Varies
1" Meter	495	315	810	629	Actual Cost	Varies	629	Actual Cost	Varies
1 1/2" Meter	n/a	n/a	n/a	699	Actual Cost	Varies	699	Actual Cost	Varies
2" Turbine Meter	830	1,045	1,875	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
2" Compound Meter	830	1,890	2,720	1,054	Actual Cost	Varies	1,054	Actual Cost	Varies
3" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
3" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
4" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
4" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
6" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
6" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
8" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
8" Compound Meter		Actual Cost			Actual Cost			Actual Cost	
10" Turbine Meter		Actual Cost			Actual Cost			Actual Cost	
10" Compound Meter		Actual Cost			Actual Cost			Actual Cost	

Service Charges

Establishment	\$32.00	\$32.00	\$32.00
Guarantee Deposit	(a)	(a)	(a)
Reconnection for Delinquency	32.00	32.00	32.00
Re-establishment	(b)	(b)	(b)
After Hours Service Call out ³	35.00	35.00	35.00
Returned payment for insufficient funds	25.00	25.00	25.00
Meter Re-Read	25.00	25.00	25.00
Meter Test	(c)	(c)	(c)
Late Charge	(d)	(d)	(d)

¹ Actual cost of service line if boring under roadway is required.

² Actual cost of service line if boring under, or cutting roadway/sidewalk is required.

³ After regular working hours, on Saturdays, Sundays or holidays.

(a) Residential - maximum: Two (2) times average customer class bill.

Non-Residential - maximum: Two and one-half (2 1/2) times that customers estimated maximum monthly bill.

(b) Eight (8) times the Customer's monthly minimum charge, or payment of the minimums since disconnection, whichever is less.

(c) No charge for the first test; for the second test for the same customer within any twelve (12) month period, \$25.00, or actual time and material whichever is greater.

(d) 1.5 percent after 15 days.

TYPICAL BILL ANALYSIS
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	3,991	\$40.98	\$49.38	\$8.40	20.50%
Median Usage	2,680	\$34.01	\$41.10	\$7.09	20.84%
Staff Recommended					
Average Usage	3,991	\$40.98	\$46.54	\$5.56	13.56%
Median Usage	2,680	\$34.01	\$39.11	\$5.10	15.00%

Present & Proposed Rates (Without Taxes)
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$25.00	\$28.00	12.00%	\$26.93	7.72%
1,000	\$28.36	\$32.40	14.24%	\$31.10	9.64%
2,000	\$31.72	\$36.80	16.01%	\$35.26	11.15%
3,000	\$35.09	\$43.12	22.90%	\$40.93	16.64%
4,000	\$41.04	\$49.44	20.48%	\$46.59	13.54%
5,000	\$46.99	\$55.76	18.67%	\$52.26	11.22%
6,000	\$52.94	\$64.00	20.89%	\$59.57	12.52%
7,000	\$58.89	\$72.23	22.66%	\$66.88	13.57%
8,000	\$64.84	\$80.47	24.11%	\$74.19	14.42%
9,000	\$70.79	\$88.71	25.32%	\$81.50	15.13%
10,000	\$76.74	\$96.94	26.33%	\$88.81	15.73%
11,000	\$85.96	\$109.02	26.82%	\$99.40	15.63%
12,000	\$95.18	\$121.09	27.22%	\$109.99	15.56%
13,000	\$104.40	\$133.16	27.54%	\$120.58	15.50%
14,000	\$113.63	\$145.24	27.82%	\$131.18	15.44%
15,000	\$122.85	\$157.31	28.05%	\$141.77	15.40%
16,000	\$132.07	\$169.38	28.25%	\$152.36	15.36%
17,000	\$141.30	\$181.46	28.42%	\$162.96	15.33%
18,000	\$150.52	\$193.53	28.57%	\$173.55	15.30%
19,000	\$159.74	\$205.60	28.71%	\$184.14	15.27%
20,000	\$168.96	\$217.68	28.83%	\$194.74	15.25%
25,000	\$215.08	\$278.04	29.27%	\$247.70	15.17%
30,000	\$261.19	\$338.41	29.56%	\$300.67	15.11%
35,000	\$307.31	\$398.78	29.76%	\$353.63	15.07%
40,000	\$353.42	\$459.14	29.91%	\$406.60	15.05%
45,000	\$399.53	\$519.51	30.03%	\$459.56	15.02%
50,000	\$445.65	\$579.88	30.12%	\$512.53	15.01%
75,000	\$676.22	\$881.71	30.39%	\$777.35	14.96%
100,000	\$906.79	\$1,183.54	30.52%	\$1,042.18	14.93%

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION OF)
ARIZONA WATER COMPANY, AN ARIZONA)
CORPORATION, FOR A DETERMINATION OF)
THE FAIR VALUE OF ITS UTILITY PLANT AND)
PROPERTY, AND FOR ADJUSTMENTS TO ITS)
RATES AND CHARGES FOR UTILITY SERVICE)
FURNISHED BY ITS WESTERN GROUP AND)
FOR CERTAIN RELATED APPROVALS)

DOCKET NO. W-01445A-15-0277

DIRECT

TESTIMONY

OF

FRANK M. SMAILA

WATER/WASTEWATER ENGINEER

ARIZONA CORPORATION COMMISSION

UTILITIES DIVISION

MARCH 18, 2016

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Cost of Service Summary – Proposed Rates	Schedule G-2

**EXECUTIVE SUMMARY
ARIZONA WATER COMPANY
DOCKET NO. W-01445A-15-0277**

Frank Smaila's testimony discusses Utilities Division Staff's ("Staff") review of Arizona Water Company's ("AWC" or "Company") Western Group Cost of Service Study ("COSS") for the rate case filed with the Arizona Corporation Commission ("Commission"), and presents the results of Staff's analysis.

Based on its review of AWC's COSS, Staff's conclusions and recommendations are as follows:

1. It is Staff's conclusion that AWC performed the COSS consistent with the methodology generally accepted in the industry, and developed all of the allocation factors appropriately.
2. Staff further concludes that, based on the evaluation of the COSS model utilized by AWC, the results of the COSS are satisfactory.
3. Staff recommends that AWC's COSS allocations and factors be accepted as reasonable in the pending case. The G-1 and G-2 schedules for Pinal Valley, White Tank and Ajo water systems are listed under the attached Exhibit 1.

I. INTRODUCTION

Q. Please state your name, place of employment and job title.

A. My name is Frank M. Smaila. My place of employment is the Arizona Corporation Commission ("Commission"), Utilities Division, 1200 West Washington Street, Phoenix, Arizona 85007. My job title is Water/Wastewater Engineer.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since January 2015.

Q. Please list your duties and responsibilities.

A. As a Water/Wastewater Engineer, specializing in water and wastewater engineering, I inspect and evaluate water and wastewater systems; obtain data, prepare reports; suggest corrective action, provide technical recommendations on water and wastewater system deficiencies; and provide written and oral testimony on rate and other cases before the Commission.

Q. How many cases have you analyzed for the Utilities Division?

A. I have analyzed 9 cases to date covering various responsibilities for the Utilities Division plus over a dozen mainline extension agreements.

Q. What is your educational background?

A. I have a Bachelor of Science degree in Civil Engineering from the University of Pittsburgh at Johnstown and a Master of Science degree in Mineral Processing from Pennsylvania State University. I attended the National Association of Regulatory Utility Commissioners ("NARUC") Utilities Rate School. I also attended the American Water Works Association ("AWWA") Financial Management Seminar.

1 **Q. Briefly describe your pertinent work experience.**

2 A. Prior to my employment with the Commission, I was an environmental engineering specialist
3 with the Arizona Department of Environmental Quality ("ADEQ") for nine years. My
4 responsibilities with ADEQ included review of projects for the construction of water
5 facilities. Prior to that, I worked in the Federal Projects Section at ADEQ where I reviewed
6 and developed engineering plans and specifications for proposed remediation of hazardous
7 substances at Federal and State Superfund sites, and the Department of Defense sites. Prior
8 to that, I worked as a project manager with the Arizona Department of Administration
9 ("ADOA") providing administration management of Inmate Construction Program ("ICP").
10 Prior to that, I worked as a project manager at an environmental consulting firm, Brown and
11 Caldwell, where I provided management of soil remediation and water supply rehabilitation
12 projects. Prior to that, I worked as the chief engineer at the Pinto Valley Copper Mine,
13 Magma Copper Company and later Broken Hills Proprietary, where I managed the
14 Company's engineering department.

15
16 **Q. Did Staff perform an analysis of the application that is the subject of this proceeding?**

17 A. Yes, Staff reviewed the Company's Cost of Service Study ("COSS").
18

19 **Q. What is the purpose of this Direct Testimony?**

20 A. The purpose is to discuss Staff's review of Arizona Water Company ("AWC" or "Company")
21 Western Group COSS for the rate case, and present the results of this review for the Pinal
22 Valley, White Tank and Ajo water systems.
23

II. COST OF SERVICE STUDY – REVIEW PROCESS

Q. What does the COSS signify?

A. There are three steps in performing the COSS. They are: 1) Functionalization; 2) Classification; and 3) Allocation. First, the COSS enables us to determine the system cost of service by classifying the utility's costs (investments and expenses) by function, such as commodity-related, demand-related, customer-related, and direct fire-related functions. Customer-related functions are further broken down into customers and customer services. Second, the study breaks down these costs by customer classes to reflect as closely as possible the cost causation by respective customer classes. Third, the results of the COSS provide a benchmark for the revenues needed from each customer category by appropriately allocating the revenue requirement for each customer class.

Q. Is there a standard COSS Model?

A. There is no standard methodology for designing a COSS, but it is generally advisable to follow a range of alternatives to identify which allocations are more reasonable than others. For that reason, the COSS should be used as a general guide only and as one of many considerations in designing rates.

Q. Did Staff conduct a separate independent COSS?

A. No, Staff did not conduct a separate independent COSS.

Q. What was the process Staff used in reviewing the Company's COSS?

A. Staff reviewed AWC's overall COSS methodology, which is the Commodity-Demand methodology as outlined in the American Water Works Association Manual M1, "Principles of Water Rates, Fees, and Charges". The Commodity-Demand Method breaks down the costs of providing water service into four primary cost components: commodity costs (costs

1 that tend to vary with the amount of water used by the customers), demand costs (costs
2 associated with peak use/demand), customers costs (costs not associated with water use, such
3 as billing), and direct fire protection costs. Staff then reviewed the Cost of Service G
4 Schedules reflecting various allocation factors (for Commodity, Demand, Customer, and
5 Direct Private Fire) in COSS. Next, staff reviewed the Company's Test Year data ending
6 December 31, 2014, and incorporated Staff's rate base, revenues, and expense adjustments in
7 its filing of March 18, 2016. Staff adjustments to rate base, revenues, and expenses were
8 incorporated in the appropriate G Schedules in this filing. The modified G Schedules G-1
9 and G-2 are attached under Exhibit 1 for each District. The G-1 Schedules represent present
10 rates using Staff's adjusted test year amounts, and the G-2 Schedules include the impacts of
11 Staff's recommended revenue increase.

12
13 **Q. In previous rate cases, did the Company complete a COSS?**

14 A. Yes. For their Northern, Eastern and Western Groups.

15
16 **Q. Were there any differences between the previous COSS's and current COSS?**

17 A. Yes. Plant Accounts such as Water Rights, Source of Supply Land, General Plant Land,
18 General Plant Structures and Intangible Plant; and Operating Expenses such as Other Source
19 of Supply Expenses and Customer Accounting Expenses were allocated differently than
20 previous COSS's. The Company provided explanations to all changes and the explanations
21 seem reasonable.

22
23 **Q. Did the Company change any other factors from previous COSS's?**

24 A. Yes. In the Company's previous cases for the Northern, Eastern and Western Groups the
25 Company used meter capacity ratios to calculate Demand Allocation Factors ("DAF"). The
26 Company believes that using meter capacity ratios can be misleading if customers do not use

1 the full capacity of their meter/service connection size¹. In this case, the Company used
2 Coincident Peak ("CP") to calculate DAF which the Company believes better represent the
3 actual peak demands. The Company calculated CP based on the percentage of total water
4 sales to each customer class. Staff believes that utilizing CP to calculate DAF is reasonable.
5

6 **III. CONCLUSIONS AND RECOMMENDATIONS**

7 **Q. Based upon your testimony, what are Staff's conclusions and recommendations**
8 **regarding the Cost of Service Study?**

9 A. Based on the review of AWC's COSS, Staff's conclusions and recommendations are as
10 follows:
11

12 1. It is Staff's conclusion that AWC performed the COSS consistent with the
13 methodology generally accepted in the industry, and developed the allocation factors
14 appropriately.
15

16 2. Staff further concludes that, based on the evaluation of the COSS model utilized by
17 AWC, the results of the COSS are satisfactory.
18

19 3. Staff recommends that AWC's COSS allocations and factors be accepted as
20 reasonable in the pending case. The G-1 and G-2 schedules for Pinal Valley, White
21 Tank and Ajo water systems are listed under the attached Exhibit 1.
22

23 Staff's conclusions are limited to the specific facts of this case and do not create any
24 precedent regarding Cost of Service Studies generally. Staff may make different
25 recommendations in other cases.

¹ Explanation of COS functionalization, email from Joel Reiker, dated February 23, 2016.

1

2 **Q. Does this conclude your Direct Testimony?**

3 **A. Yes, it does.**

		Pinal Valley						
		[A]	[B]	[C]	[D]	[E]	[F]	[G]
		Adjusted Total	Residential	Commercial	Industrial	Large Industrial	Other	Direct Private Fire
Operating Revenues								
Water Revenues (Sch. H-1)		\$ 18,006,765	\$ 11,298,361	\$ 5,412,782	\$ 161,824	\$ 796,145	\$ 216,003	\$ 121,650
Miscellaneous Revenues ¹ (Sch. H-1)		461,124	289,333	138,613	4,144	20,388	5,531	3,115
Total Operating Revenues		\$ 18,467,889	\$ 11,587,694	\$ 5,551,395	\$ 165,968	\$ 816,533	\$ 221,534	\$ 124,765
Operating Expenses								
Operations & Maintenance Expense		10,669,138	7,048,315	2,808,611	105,150	553,404	101,705	51,953
Depreciation & Amortization Expense		3,658,377	2,451,289	997,237	33,595	78,200	32,688	65,366
Income Taxes		440,247	90,019	306,681	(1,212)	32,309	19,588	(7,138)
Property Taxes		969,343	608,215	291,382	8,711	42,858	11,628	6,549
Other Taxes		172,487	113,950	45,407	1,700	8,947	1,644	840
Total Operating Expenses		\$ 15,909,593	\$ 10,311,789	\$ 4,449,318	\$ 147,945	\$ 715,718	\$ 167,253	\$ 117,570
Taxable Income		1,169,695	239,170	814,815	(3,219)	85,840	52,044	(18,965)
Net Operating Income		\$ 2,558,296	\$ 1,275,905	\$ 1,102,077	\$ 18,023	\$ 100,814	\$ 54,281	\$ 7,196
Interest Expense		1,828,858	1,126,754	593,943	20,031	47,283	21,826	19,023
Rate Base		\$ 57,867,308	\$ 35,651,862	\$ 18,793,072	\$ 633,791	\$ 1,496,087	\$ 690,594	\$ 601,902
Rate of Return (Ln. 17 + Ln. 23)		4.42%	3.58%	5.86%	2.84%	6.74%	7.86%	1.20%
Required Rate of Return (Sch. A-1, Ln. 12)		8.02%	8.02%	8.02%	8.02%	8.02%	8.02%	8.02%
Required Operating Income (Ln. 23 X Ln. 27)		\$ 4,640,958	\$ 2,859,279	\$ 1,507,204	\$ 50,830	\$ 119,986	\$ 55,386	\$ 48,273
Operating Income Deficiency (Ln. 29 - Ln. 17)		\$ 2,082,662	\$ 1,583,375	\$ 405,127	\$ 32,807	\$ 19,172	\$ 1,104	\$ 41,077
Additional Taxes & Uncollectibles at Proposed Rates (Sch. G-4)		\$ 1,327,471	\$ 834,711	\$ 398,547	\$ 18,671	\$ 50,596	\$ 15,890	\$ 9,056
Required Increase in Gross Revenues (Ln. 31 + Ln. 34)		\$ 3,410,132	\$ 2,418,086	\$ 803,674	\$ 51,478	\$ 69,768	\$ 16,994	\$ 50,133
% Required Increase in Gross Revenues (Ln. 36 + Ln. 5)		18.47%	20.87%	14.48%	31.02%	8.54%	7.67%	40.18%
Gross Revenue Requirement (Ln. 5 + Ln. 36)		\$ 21,878,021	\$ 14,005,779	\$ 6,355,069	\$ 217,446	\$ 896,300	\$ 238,529	\$ 174,898
Less: Miscellaneous Revenues at Proposed Rates		\$ (461,124)	\$ (289,371)	\$ (138,631)	\$ (4,495)	\$ (19,978)	\$ (5,532)	\$ (3,116)
Revenue Requirement - Metered Water Revenues		\$ 21,416,897	\$ 13,716,408	\$ 6,216,438	\$ 212,950	\$ 866,322	\$ 232,997	\$ 171,782
% of Revenues Required from Fixed Charge		56%	62%	55%	50%	26%	52%	100%
% of Revenues Required from Commodity Charge		42%	38%	45%	50%	74%	48%	0%

¹ Allocated to customer classes based on percentage of total water revenues

Exhibit
Schedule G-1
Page 2 of 2
Witness: Reiker

Exploring Schedules:
G-3, G-4, H-1
E:\MCC G1 & G2 Model G1
Processing Date: 3/9/2016 8:54 AM
Recap Schedules:

Line No.		White Tank						
		[A]	[B]	[C]	[D]	[E]	[F]	[G]
		Adjusted Total	Residential	Commercial	Industrial	Large Industrial	Other	Direct Private Fire
1								
2	Operating Revenues							
3	Water Revenues (Sch. H-1)	\$ 2,276,922	\$ 1,802,196	\$ 421,627	\$ -	\$ 15,992	\$ 35,306	\$ 1,800
4	Miscellaneous Revenues ¹ (Sch. H-1)	44,621	35,317	8,263	-	313	692	35
5	Total Operating Revenues	\$ 2,321,542	\$ 1,837,513	\$ 429,890	\$ -	\$ 16,305	\$ 35,998	\$ 1,835
6								
7	Operating Expenses							
8	Operations & Maintenance Expense	1,216,079	997,096	208,011	-	2,271	7,658	1,043
9	Depreciation & Amortization Expense	753,845	589,165	156,606	-	1,827	4,349	1,897
10	Income Taxes	13,851	6,943	(257)	-	2,461	4,712	(7)
11	Property Taxes	110,153	87,187	20,398	-	774	1,708	87
12	Other Taxes	16,892	13,850	2,889	-	32	106	14
13	Total Operating Expenses	\$ 2,110,821	\$ 1,694,241	\$ 387,647	\$ -	\$ 7,364	\$ 18,534	\$ 3,035
14								
15	Taxable Income	64,702	32,431	(1,201)	-	11,496	22,010	(33)
16								
17	Net Operating Income	\$ 210,721	\$ 143,272	\$ 42,243	\$ -	\$ 8,941	\$ 17,464	\$ (1,200)
18								
19	Interest Expense	159,870	117,784	43,187	-	(94)	166	(1,174)
20								
21								
22								
23	Rate Base	\$ 5,058,488	\$ 3,726,843	\$ 1,366,505	\$ -	\$ (2,974)	\$ 5,266	\$ (37,152)
24								
25	Rate of Return (Ln. 17 + Ln. 23)	4.17%	3.84%	3.09%	n/a	n/a	331.64%	n/a
26								
27	Required Rate of Return (Sch. A-1, Ln. 12)	8.02%	8.02%	8.02%	8.02%	8.02%	8.02%	8.02%
28								
29	Required Operating Income (Ln. 23 X Ln. 27)	\$ 405,691	\$ 298,893	\$ 109,594	\$ -	\$ (239)	\$ 422	\$ (2,980)
30								
31	Operating Income Deficiency (Ln. 29 - Ln. 17)	\$ 194,969	\$ 155,620	\$ 67,350	\$ -	\$ (9,180)	\$ (17,042)	\$ (1,779)
32								
33	Additional Taxes & Uncollectibles at Proposed Rates (Sch. G-4)	\$ 141,033	\$ 108,662	\$ 23,914	\$ -	\$ 2,775	\$ 5,581	\$ 100
34								
35								
36	Required Increase in Gross Revenues (Ln. 31 + Ln. 34)	\$ 336,002	\$ 264,282	\$ 91,265	\$ -	\$ (6,405)	\$ (11,461)	\$ (1,679)
37								
38	% Required Increase in Gross Revenues (Ln. 36 + Ln. 5)	14.47%	14.38%	21.23%	n/a	-39.28%	-31.84%	-91.49%
39								
40	Gross Revenue Requirement (Ln. 5 + Ln. 36)	\$ 2,657,544	\$ 2,101,795	\$ 521,155	\$ -	\$ 9,901	\$ 24,537	\$ 156
41								
42	Less: Miscellaneous Revenues at Proposed Rates	\$ (44,621)	\$ (35,317)	\$ (8,263)	\$ -	\$ (313)	\$ (692)	\$ (35)
43								
44	Revenue Requirement - Metered Water Revenues	\$ 2,612,923	\$ 2,066,478	\$ 512,892	\$ -	\$ 9,587	\$ 23,845	\$ 121

¹Allocated to customer classes based on percentage of total water revenues

Line No.	White Tank						Monthly Cost of Service		
	[A] Total Cost of Service	[B] Commodity	[C] Demand	[D] Customer		[F] Direct Private Fire	[G] Metering - Per 5/8" Equiv.	[H] Billing - Per Bill	[I] Commodity - Per M Gal
				Accounting & Billing	Meters & Services				
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Total System Cost of Service									
	\$ 2,657,544	\$ 706,161	\$ 1,721,240	\$ 337,149	\$ (107,162)	\$ 156	\$	\$ 24.99	\$ 11.91
	\$ 2,101,795	\$ 559,073	\$ 1,309,557	\$ 327,875	\$ (94,710)	n/a	\$	\$ 93.30	\$ 9.50
	\$ 521,155	\$ 135,325	\$ 387,526	\$ 6,381	\$ (8,078)	n/a	\$	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	\$	\$ -	\$ -
	\$ 9,901	\$ 2,855	\$ 7,821	\$ 825	\$ (1,600)	n/a	\$	\$ 7.11	\$ 68.73
	\$ 24,537	\$ 8,908	\$ 16,335	\$ 2,069	\$ (2,774)	n/a	\$	\$ 9.11	\$ 31.82
	\$ 156	n/a	n/a	n/a	n/a	156	\$	\$	\$
Total System Cost of Service									
	\$ 2,657,544	\$ 706,161	\$ 1,721,240	\$ 337,149	\$ (107,162)	\$ 156			

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Rate of Return by Customer Class - Present Rates

Exhibit
Schedule G-1
Page 1 of 2
Witness: Reiker

Line No.	[A] Adjusted Total	[B] Residential	[C] Commercial	[D] Industrial	[E] Large Industrial	[F] Other	[G] Direct Private Fire
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¹Allocated to customer classes based on percentage of total water revenues

Supporting Schedules:
G-3, G-4, H-1

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Recap Schedules:

Line No.	A	B	C	D	E	F	G	H	I
	Total Cost of Service	Commodity	Demand	Accounting & Billing	Meters & Services	Direct Private Fire	Metering - Per 5/8" Equiv.	Billing - Per Bill	Commodity - Per M.Gal
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Total System Cost of Service									
	\$ 495,982	\$ 170,922	\$ 222,488	\$ 83,575	\$ 16,454	\$ 2,542			
	\$ 364,311	\$ 119,241	\$ 159,382	\$ 72,354	\$ 13,334	n/a			
	\$ 127,635	\$ 51,387	\$ 62,180	\$ 11,130	\$ 2,837	n/a			
	\$ -	\$ -	\$ -	\$ -	\$ -	n/a			
	\$ -	\$ -	\$ -	\$ -	\$ -	n/a			
	\$ 1,494	\$ 295	\$ 926	\$ 91	\$ 183	n/a			
	\$ 2,542	n/a	n/a	n/a	n/a	2,542			
Total System Cost of Service									
	\$ 495,982	\$ 170,922	\$ 222,488	\$ 83,575	\$ 16,454	\$ 2,542			

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Cost of Service Summary - Proposed Rates

Exhibit
Schedule G-2
Page 1 of 1
Witness: Reiter

Line No.		Pinal Valley					[G]
		[A]	[B]	[C]	[D]	[E]	
		Adjusted Total	Residential	Commercial	Industrial	Large Industrial	Other
1							Direct Private Fire
2	Operating Revenues						
3	Water Revenues (Sch. H-1)	\$ 21,402,561	\$ 13,430,858	\$ 6,434,412	\$ 208,852	\$ 927,256	\$ 256,772
4	Miscellaneous Revenues ¹ (Sch. H-1)	461,124	289,371	138,631	4,495	19,978	5,532
5	Total Operating Revenues	\$ 21,863,685	\$ 13,720,229	\$ 6,573,043	\$ 213,148	\$ 947,234	\$ 262,304
6							\$ 147,727
7	Operating Expenses						
8	Operations & Maintenance Expense	10,669,138	7,048,315	2,808,611	105,150	553,404	101,705
9	Depreciation & Amortization Expense	3,658,377	2,451,289	997,237	33,595	78,200	32,688
10	Income Taxes	1,696,790	879,009	684,794	16,057	80,895	34,881
11	Property Taxes	1,028,806	645,612	309,298	10,030	44,573	12,343
12	Other Taxes	172,487	113,950	45,407	1,700	8,947	1,644
13	Total Operating Expenses	\$ 17,225,598	\$ 11,138,176	\$ 4,845,346	\$ 166,532	\$ 766,019	\$ 183,061
14							\$ 126,464
15	Taxable Income	4,506,019	2,334,310	1,818,548	42,642	214,827	92,098
16							3,593
17	Net Operating Income	\$ 4,638,087	\$ 2,582,054	\$ 1,727,697	\$ 46,615	\$ 181,215	\$ 79,244
18							\$ 21,263
19	Interest Expense	1,828,858	1,126,754	593,943	20,031	47,283	21,826
20							19,023
21							
22	Rate Base	\$ 57,867,308	\$ 35,651,862	\$ 18,793,072	\$ 633,791	\$ 1,496,087	\$ 690,594
23							\$ 601,902
24	Rate of Return ² (Ln. 17 + Ln. 22)	8.02%	7.24%	9.19%	7.36%	12.11%	11.47%
25							3.53%
26	Increase in Gross Revenues	\$ 3,395,796	\$ 2,132,536	\$ 1,021,649	\$ 47,180	\$ 130,701	\$ 40,770
27							\$ 22,961
28	% Increase in Gross Revenues	18.4%	18.4%	18.4%	28.4%	16.0%	18.4%
29							
30	% of Revenues Generated from Fixed Charge	2%	2%	2%	2%	2%	2%
31	% of Revenues Generated from Commodity Charge	98%	98%	98%	98%	98%	98%
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¹Allocated to customer classes based on percentage of total water revenues.
²Rate of return at proposed rates includes the effect of any proposed rate consolidation.

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Cost of Service Summary - Proposed Rates

Exhibit
Schedule G-2
Page 1 of 1
Witness: Reiker

Line No.	[A] Adjusted Total	[B] Residential	[C] Commercial	White Tank		[F] Other	[G] Direct Private Fire
				[D] Industrial	[E] Large Industrial		
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1 Allocated to customer classes based on percentage of total water revenues.
2 Rate of return at proposed rates includes the effect of any proposed rate consolidation.

Supporting Schedules:
H-1, G-3, G-4

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Recap Schedules:

ARIZONA WATER COMPANY
Test Year Ended December 31, 2014
Cost of Service Summary - Proposed Rates

Exhibit
Schedule G-2
Page 1 of 1
Witness: Reiter

Line No.	A	B	C	D	E	F	G
	Adjusted Total	Residential	Commercial	Industrial	Large Industrial	Other	Direct Private Fire
1							
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¹Allocated to customer classes based on percentage of total water revenues.
²Rate of return at proposed rates includes the effect of any proposed rate consolidation.

Supporting Schedules:
H-1, G-3, G-4

EWACC G1 & G2 Model G2
Processing Date: 3/6/2016 8:57 AM

Recap Schedules: